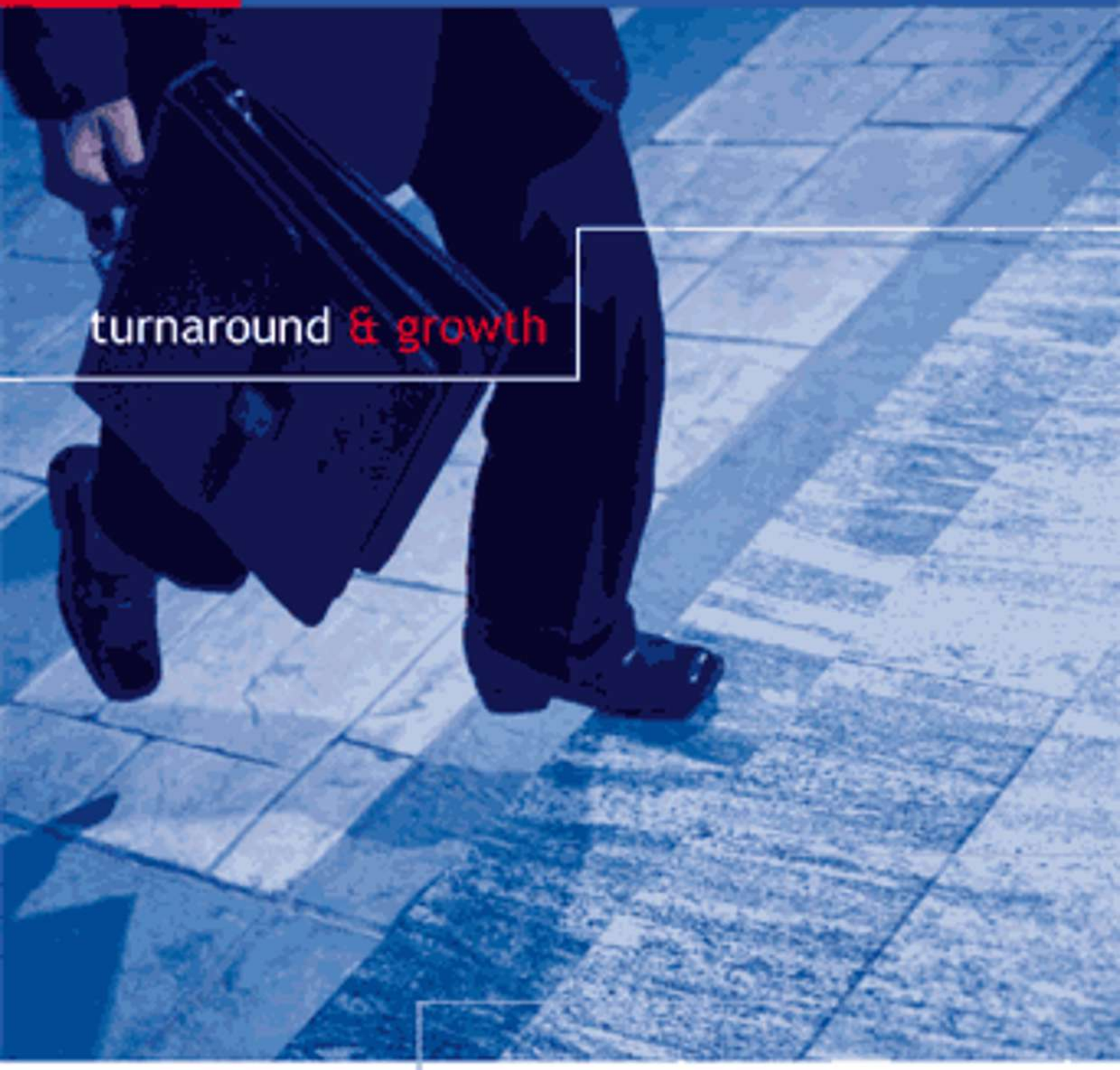
Annual Report 2004



LippoBank

financialhighlights

(in million Rupiah, except Net Income (loss) per Share)

	2004	2003 (restated)	Growth	2002 (restated)
BALANCE SHEETS				
Total Assets	27,832,108	26,466,353	5.2%	24,899,515
Productive Assets – Net *)	22,073,215	20,934,042	5.4%	19,127,122
Cash and Other Liquid Assets **)	19,316,069	18,756,984	3.0%	16,700,597
Loans	5,615,493	4,746,033	18.3%	5,006,626
Government Bonds	6,993,136	5,617,445	24.5%	5,690,730
Fixed Assets – Net	818,250	821,334	(0.4%)	927,808
Deposits from Customers	24,852,485	23,788,668	4.5%	22,064,887
Demand Deposits	8,082,628	8,019,152	0.8%	7,318,620
Savings Deposits	10,811,658	9,103,268	18.8%	8,442,994
Time and Certificate Deposits	5,958,199	6,666,247	(10.6%)	6,303,273
Stockholders' Equity	2,308,024	1,425,225	61.9%	2,014,856
STATEMENTS OF INCOME				
Interest Income – Net ***)	935,142	708,021	32.1%	991,918
Other Operating Income – Net ***)	485,139	424,187	14.4%	337,874
Non Operating Income (Expenses) – Net	481,159	(367,394)	n/a	21,811
Income (Loss) Before Income Tax	904,684	(362,957)	n/a	(242,836)
Deferred Income Tax Expense	12,000	153,000	(92.2%)	263,619
Net Income (Loss)	892,684	(515,957)	n/a	(506,455)
Net Income (Loss) per Share	228.0	(131.8)	n/a	(129.3)
TOTAL SHARES ISSUED (actual)	**3,915,733,039**	**3,915,733,039**		**3,915,733,039**
Class A (nominal value Rp 5,000 since 2002)	85,698,000	85,698,000		85,698,000
Class B (nominal value Rp 100 since 2002)	3,730,019,952	1,687,262,852		1,510,028,689
Class C (nominal value Rp 100 since 2002)	100,015,087	2,142,772,187		2,320,006,350
FINANCIAL RATIOS				
Return on Average Assets	3.3%	(1.5%)		(1.0%)
Return on Average Equity ****)	38.7%	(36.2%)		(25.1%)
Capital Adequacy Ratio	20.9%	16.7%		21.1%
Loan to Deposit Ratio	22.6%	20.0%		22.7%
Non Performing Loan to Total Loan Ratio – Net	2.2%	0.6%		2.9%
Cost to Income Ratio	69.4%	91.3%		75.0%
DATA OF ACCOUNTS, EMPLOYEES, AND OFFICES				
Number of Accounts (in thousands)	2,836	2,579	9.9%	2,899
Number of Employees	5,881	6,107	(3.7%)	6,410
Number of Offices	396	389	1.8%	379
Number of ATMs	690	676	2.1%	635

* Consists of Current Accounts with Other Banks, Placements with Other Banks, Securities, Securities Purchased under Resale Agreements, Derivative Receivables, Loans, Acceptance Receivables, Government Bonds and Investments in Shares of Stock.

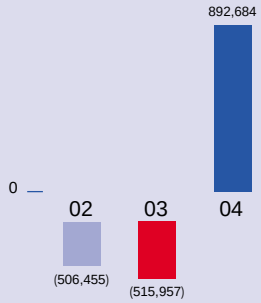
** Consists of Cash, Current Accounts with Bank Indonesia, Current Accounts with Other Banks, Placement with Other Banks, Securities, Securities Purchased under Resale Agreements, Derivative Receivables, Acceptance Receivables, and Government Bonds.

*** Classified to be represented in 2004 Financial Statement.

**** ROE based on Tier I capital is 104.5% in 2004 (2003 : -46.0%).

NET INCOME

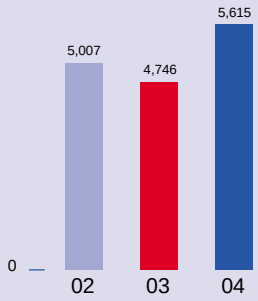
in million Rupiah



At the end of 2004, the Bank recorded Rp 893 billion net income, a significant increase compared to last year. This positive business result came from increases in net interest income to Rp 935 billion and fee based income to Rp 485 billion.

LOANS

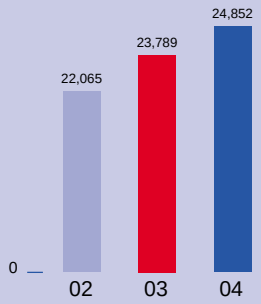
in billion Rupiah



Loan portfolio improvement has always been one of the Bank's priorities to gain customer confidence. By the end of 2004, LippoBank recorded a total of Rp 5.6 trillion loans or an increase of 18.3% compared to 2003. The Bank also managed to lower the NPL ratio (gross) from 8.8% in 2003 to 6.8% in 2004, well below the maximum ratio as stipulated by Bank Indonesia.

DEPOSITS

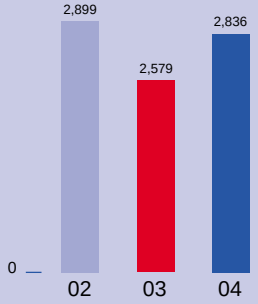
in billion Rupiah



Deposits grew by Rp 1.1 trillion and reached Rp 24.9 trillion by the end of the year. This achievement reflected our customers' high level of confidence towards the Bank. Going forward, LippoBank will continue its commitment in service enhancements to maintain and increase customer confidence in LippoBank.

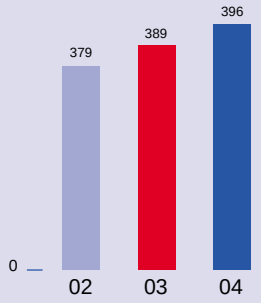
NUMBER OF ACCOUNTS

in thousand



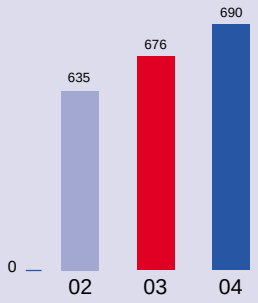
Providing first class service was the primary commitment of the Bank throughout 2004. This commitment has continued since 2002 and will help LippoBank to focus on providing improved quality of service to its customers.

NUMBER OF OFFICES



Network expansion was one of the Bank's main goals to enhance its customer reach. In 2004, LippoBank's network expanded to 396 offices spread across Indonesia, consisting of 134 branches, 21 sub-branches, 237 cash offices, and 4 payment points. Throughout the year, LippoBank also completed several branch remodelling and relocation projects to provide more convenient transaction services.

NUMBER OF ATMs



Through its ATM network, LippoBank offers round the clock, premium service to its customers. In 2004, LippoBank initiated a number of ATM relocations and feature enhancements and also provided convenience and security in ATM transactions. By the end of 2004, LippoBank operated 690 ATMs with over 4.3 million ATM transactions per month.

stockhighlights

SHARE INFORMATION	2004	2003	2002
SHARE PRICE			
Highest (Rp)	750	650	850
Lowest (Rp)	400	205	250
Average in 12 months (Rp)	580	460	529
TOTAL SHARES ISSUED (actual)	3,915,733,039	3,915,733,039	3,915,733,039
Class A (nominal value Rp 5,000 since 2002)	85,698,000	85,698,000	85,698,000
Class B (nominal value Rp 100 since 2002)	3,730,019,952	1,687,262,852	1,510,028,689
Class C (nominal value Rp 100 since 2002)	100,015,087	2,142,772,187	2,320,006,350
SHARE OWNERSHIP (above 5%)			
Swiassasia Global qualitate qua (qq)	52.05%	–	–
Swissfirst Limited, Raiffeisen Zentralbank			
Osterreich AG, Steven Simpson			
Christopher Williams, ASM Funds,			
Ferrell Opportunity Fund			
Minister of Finance of Republic Indonesia	2.55%	54.72%	59.25%
PT Lippo E-Net Tbk	5.57%	7.01%	9.57%
Public	39.83%	38.27%	31.18%

- In accordance with the Company's Articles of Association the terms of shares are Class A Share, Class B Share and Class C Share. The terms of Shareholders are Class A Shareholder, Class B Shareholder and Class C Shareholder, unless determined otherwise.
- All shares issued by the Company shall be registered shares and issued in the name of the owner and each share shall have 1 (one) vote.
- All share classes are ordinary shares, provided that the Class C Share:
  a. shall have the right to receive the liquidation balance first;
  b. only possessed by the Government of Indonesia or a legal entity wholly owned by the Government of Indonesia appointed for such purpose;
  c. automatically converted to Class B Share, if it is transferred to a party other than point b.

Dividend Policy

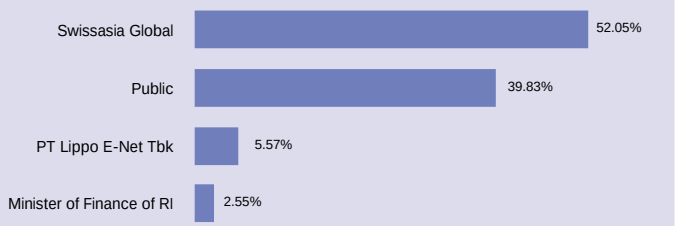
The Bank has not paid any dividend since 1998, due to:

1. The Bank has accumulated losses in 1998 and 1999.
2. When the Bank participated in the Government Guarantee Program, as stipulated by the Minister of Finance Decree No. 179/KMK.017/2000, dated May 26, 2000, the Banks was not permitted to pay any dividend until its obligation under the Government Guarantee Program is paid in full.

HISTORY OF STOCK LISTING

CORPORATE ACTIONS	LISTING DATE AT JSX	LISTING DATE AT SSX	TOTAL SHARES
Initial Public Offering	10 November 1989	10 November 1989	6,800,000
Partial Listing	27 August 1990	27 August 1990	5,000,000
Stock Dividend	27 June 1990	27 June 1990	7,935,000
Company Listing	26 June 1992	11 January 1993	27,875,000
Bonus Share	9 July 1992	11 January 1993	95,220,000
Right Issue I	11 October 1993	11 October 1993	47,610,000
Bonus Share	21 November 1994	18 November 1994	95,220,000
Right Issue II	19 June 1996	19 June 1996	142,830,000
Stock Split	9 December 1996	9 December 1996	428,490,000
Right Issue III	23 December 1998	23 December 1998	3,664,547,860
Right Issue IV	30 June 1999	30 June 1999	34,635,802,525
Reverse Stock	13 December 2002	13 December 2002	3,915,733,039
Total Listed Shares			3,915,733,039

SHARE COMPOSITION



2004**awards**

March 2004
"The Indonesian Best Seller 2003 for Travelers Cheques – American Express"

July 2004
"Microsoft Windows International Server Challenge Award"

October 2004
LippoBank's President Commissioner received the "Lifetime Achievement Award" at the Ernst & Young's Entrepreneur of the Year event.

Turnaround and **Growth**

“Through strong perseverance, hard work and persistence of the whole organization, LippoBank has successfully turned around by posting an impressive profitability and loan increase.”

2004 milestones

january

LippoBank signed an agreement on its LippoBank Home Loan product with PT Dian Permana, Galaxy Royal Palace and PT Babatan Kusuma Jaya in JW Marriot Hotel, Surabaya.

february

LippoBank held its Extraordinary General Meeting of Shareholders on February 25, 2004 concerning the Government of Indonesia's strategic divestment of shares in LippoBank and the acquisition of 52.05% of LippoBank shares by Swissasia Global.

march

LippoBank, Visa, MasterCard and AKKI (Asosiasi Kartu Kredit Indonesia) presented an award to the Matahari Department Store Atrium team for preventing a credit card transaction fraud.

april

LippoBank signed an agreement with PT Cahaya Sakti Multi Intraco for a car ownership financing program for its employees in Novotel, Bogor.

may

LippoBank's share was included in the Morgan Stanley Capital Index and becomes one of the indicators used by international investors and fund managers. This proves that the positive performance results of the Bank have been recognized by the international market.

june

On June 29, 2004 the Annual General Meeting of Shareholders approved the Bank's 2003 Annual and Financial Reports for the fiscal year ending December 31, 2003 with the opinion fair without exception, and the Extraordinary General Meeting of Shareholders approved the new policy on the sale of assets.

LippoBank conducted a workshop on "2005: Preparing a Competitive Information Technology."

december

november

LippoBank and AIG Lippo presented the payment of the Credit Life Insurance claim to the heirs of the participants of the LippoBank Home Loan programs at LippoBank's branch in Karawaci.

october

LippoBank Lady Card organized the "Afternoon High Tea Charity" fund raising event with Rotary Club Prapatan at Koi Gallery and Restaurant, Jakarta to finance the education of homeless children.

september

On July 19, 2004, LippoBank held an Extraordinary General Meeting of Shareholders that approved changes in the Bank's Articles of Association.

august

On October 29, 2004, LippoBank held a Public Expose to disseminate its third quarter 2004 business performance results to the public.

july

LippoBank organized a Focus Group meeting with financial analysts and mass media at Hilton Hotel Jakarta to present the Bank's second quarter 2004 business performance results.

Note: The above events are highlights among all important events occurred during 2004.

commissioners' message

Grow with Trust

2004 was a year of hope and turn around for Indonesia. The peaceful completion of our parliamentary and presidential elections improved the political and social environment and enhanced overall stability in the country. Economic growth improved, reaching 4.8% in 2004 compared to 4.2% the previous year, while the rate of inflation was held at 6.4%. The rupiah experienced some depreciation but regained its value by the end of the year and reserves improved slightly as a result of surplus current account transactions and a significant increase in capital flows, particularly in the area of portfolio investment. Unfortunately, the end of the year brought unprecedented tragedy from the powerful earthquake and tsunami in Aceh and Northern Sumatra. The disaster not only deeply moved the hearts of Indonesians but also affected all of humanity as they shared our sorrow and scrambled to lend a helping hand. Deep sadness will always remain with us but the tragedy does not detract from the overall progress that was achieved in 2004.

Throughout 2004, the banking sector saw a number of encouraging developments, among them stronger public confidence as reflected by a growth in loans and banking sector profitability; a healthier capitalization level with an aggregate capital adequacy ratio (CAR) of 20%; and a 3.0% return on assets, an indication of some performance improvements.

However, because the real sector has not fully recovered from the 1997 financial crisis, the banking industry has not yet regained its optimal intermediary function. In 2004, the industry's loans to deposits ratio (LDR) remained in the 50% range meaning that most of its excess liquidity was placed in short term investment portfolios like Bank Indonesia Certificate (SBI). The business sector, in particular the banking industry, has high hopes that the newly elected government will make the improvement of Indonesia's investment climate a priority and thus help move the real sector and the economy forward.

Looking ahead, several important issues will determine the future of the banking industry. First, careful attention needs to be paid to the significant growth of mutual funds in 2004, which started to compete with banking products such as time deposits. Second, the industry should improve its ability to manage risk. The growing number of banking fraud cases in 2004 signalled the need to establish a reliable and effective risk management system. Therefore, it is important that the entire industry give its full support to the development of a Credit Bureau as stipulated in the Indonesian Banking Architecture. The last issue relates to the plan to switch from a blanket guarantee to a limited guarantee program. Although its implementation will take place in phases to limit impact on third party funds accumulation, the execution of the program will force consumers to be more discerning when selecting their preferred bank.

DR. Mochtar Riady – President Commissioner

from left to right:
James C. Ng, DR. Djisman Simandjuntak,
DR. I Nyoman Tjager, DR. Mochtar Riady,
Roy E. Tirtadji, Rainer Silhavy,
Christopher J. Williams,
Jan G. Cherim (no picture)

The Bank's Performance

One of the major milestones accomplished in 2004 was the completion of the divestment program of LippoBank. In February 2004, Swissasia Global consortium became the majority shareholder with 52.05% of LippoBank's total shares.

Throughout the year, we focused our efforts on positioning LippoBank as the largest and most reliable payment bank, with an internal target of US$ 1 billion market capitalization by the end of 2007. We have implemented various initiatives to achieve these goals. This past year we completed a reorganization and consolidation process to prepare for future competition and continued to enhance our operational systems, internal controls and risk management policies through systems improvement and continuous human resource development. Information technology is also an important component of LippoBank's strategy and in 2004 we consistently utilized information technology to improve our service performance.

I am pleased to note that our hard work has received such a positive reception from the market. Since mid-2004, LippoBank stock has been included in both the Morgan Stanley Capital Index and the Jakarta Stock Exchange LQ-45 index. LippoBank's business performance has thus become one of the key economic indicators used by national and international investors and fund managers. I am also pleased to mention that we received the Microsoft Windows International Server Challenge Award, an international recognition of our achievements in information technology development.

Let me conclude this message with a heartfelt thank you to all of our loyal customers and to our management and staff who have worked relentlessly and with such commitment. I also extend my appreciation to our shareholders, Bank Indonesia and the Ministry of Finance for their trust and support. We will continue to work to improve our performance in 2005 and onward. Important progress achieved by the nation in 2004 will become a driving force behind LippoBank's commitment to offer world-class banking services.

DR. Mochtar Riady
President Commissioner

Rainer Silhavy
Deputy President Commissioner

Jan G. Cherim
Commissioner

DR. I Nyoman Tjager
Commissioner

DR. Djisman Simandjuntak
Commissioner

James C. Ng
Commissioner

Christopher J. Williams
Commissioner

Roy E. Tirtadji
Commissioner

directors' **report**

Back to Profitability

DR. Joseph F.P. Luhukay
President Director

'Back to profitability' is a phrase that aptly describes LippoBank's agenda and business performance in 2004. Through the end of 2004, the Bank recorded a net income of Rp 893 billion, a significant improvement from the results of 2003. For stockholders, this positive result is reflected in a net income per share that reached Rp 228.0 at the end of the year.

Achievements

The growth in net income (after tax) to Rp 893 billion came from increases in net interest income to Rp 935 billion and fee income to Rp 485 billion. Due to these achievements, at the end of 2004 our Return on Equity (ROE) soared to 38.7% and our Capital Adequacy Ratio (CAR) improved to 20.9% from 16.7% last year.

Our positive net income performance was mainly supported by growth in the Bank's earning assets as our loans reached Rp 5.6 trillion in 2004. The loan growth was attributed to a strategy of focusing on the industrial, commercial and consumer sectors. Last year, the consumer sector enjoyed the highest growth, mostly from the housing loan business. Capitalizing on the supply chain network in each sector, we also adopted a 'follow the flow of money' approach to expand our business. Supported by the Bank's achievement in credit growth, LippoBank successfully increased its Loan to Deposit Ratio (LDR) to 22.6% by the end of the year. This loan growth strategy was carried out prudently however, so that we could reduce our gross Non-Performing Loan (NPL) ratio to 6.8% from 8.8% last year.

The increase in fee income is a reflection of our success in positioning LippoBank as the payment bank of choice by offering various cash management services through our branch, electronic and ATM networks. In 2004, our total monthly transactions reached Rp 400 trillion, a 30% increase compared to last year's performance, in which Rp 20 to 25 trillion from the total transactions were handled through our electronic banking services.

Our level of profitability was also supported by the Bank's ability to maintain a healthy funding composition. As of December 2004, third party funds reached Rp 24.9 trillion, consisting of 43.5% savings, 32.5% demand deposits and 24% time deposits, and positioned LippoBank as one of the banks with the lowest cost of funds in Indonesia.

The Bank's positive results were enhanced by a 4.6% reduction in operation costs through reorganization, operation centralization, better capital expenditure management and disciplined cost and performance monitoring. Operation costs decreased to Rp 986 billion (excluding provisioning) from Rp 1,033 billion in 2003, resulting in a cost efficiency ratio drop to 69% from 91% last year.

from left to right:
Tjindrasa Ng, Hugeng Gozali,
DR. Joseph F.P. Luhukay, Lee Heok Seng,
Harry Sasongko, Yusuf Valent

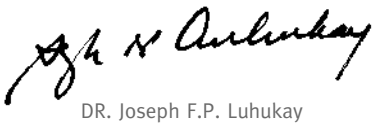
LippoBank's positive performance also owed considerably to the arrival of Swissasia Global consortium as the new majority shareholder in February 2004. Swissasia Global not only contributes to the increased market confidence in the Bank, but our new shareholder also brings a solid banking tradition to the Bank's culture, with significant experience in both the banking business and in risk management and corporate governance practices.

The Future

Taking advantage of the positive results achieved in 2004, LippoBank will continue to focus on profitability growth as its main agenda. Looking forward, the Bank will further develop initiatives that enhance our quality of service culture. Various steps to increase customer service were taken in 2004 including the establishment of a centralized call center accessible through a single number (14042) from anywhere in Indonesia. We will also continue to improve our position as the payment bank of choice, a central part of our loan and funds growth strategy.

Acknowledgment

On behalf of the Board of Directors, I would like to thank all of our stakeholders, customers, partners, shareholders, the extended LippoBank family and the public who have continually provided support for our success. 2004 will definitely be remembered as an important milestone in the history of LippoBank.



DR. Joseph F.P. Luhukay
President Director

Harry Sasongko
Director

Tjindrasa Ng
Director

Lee Heok Seng
Director

Yusuf Valent
Director

Hugeng Gozali
Director

corporategovernance

Relentless Commitment to Good Corporate Governance

Commitment to principles of corporate governance is critical to obtaining and maintaining the trust of investors and to achieving LippoBank's overall goal of performance with integrity. This commitment is also vital in earning respect from employees, customers, suppliers, government officials, and the public at large.

To underscore our continuing dedication to implementing good corporate governance, throughout 2004 the Bank completed a number of important initiatives:

- publication of LippoBank's Corporate Policy Manual that covers policies on our code of ethics, conflicts of interests, information privacy issues and relationships with external parties. This important manual formalizes the basic principles for all other Bank manuals;
- completion of the Corporate Governance Manual that sets LippoBank's principles on corporate governance practices, covering guidelines for the Board of Commissioners, the Board of Directors and Executive Committees under the Boards;
- formation of a Risk Mitigation Committee and a Corporate Governance Committee;
- changes in the composition of the Audit Committee members to comply with the new Bapepam regulation;
- publication of the Risk Mitigation, Corporate Governance and Audit Committee Charters;
- the establishment of a Focus Group Forum with financial analysts and the media as part of LippoBank's commitment to disclosure policy.

LippoBank's Governing Structure

The Bank's governing structure consists of the Board of Commissioners and the Board of Directors supported by several Committees as follows:

Board of Commissioners Committees	Executive Committees
• Audit Committee • Risk Mitigation Committee • Corporate Governance Committee	• Audit Work Group • Credit Committee • Asset Committee • Risk Management Committee • Assets and Liabilities Committee • Vendor Committee • Product Committee • Personnel Committee

Unlike other Indonesian corporations that adopt a double-tier governing structure, LippoBank employs a quasi single-tier governing model. In this model, members of the Board of Commissioners perform their duties collectively, but each member of the Board of Commissioners also has separate duties and responsibilities performed through the Board Committees. Each Board of Commissioners Committee must submit its recommendations for approval at the Board of Commissioners meetings. This governing structure also allows closer coordination between the President Commissioner and the President Director. The Board of Directors performs its duties collegially through synchronized coordination with the Board of Commissioners Committees.

As required by the regulations, the Board of Commissioners is charged with monitoring and advising the Board of

Directors in matters of management and policy. This governing structure is responsible to the General Meeting of Shareholders through the Board of Commissioners.

LippoBank's Board of Commissioners consists of eight Commissioners including the President Commissioner, the Deputy President Commissioner and Independent Commissioners. Six out of the eight members of the Board of Commissioners are Independent Commissioners, exceeds the 30% minimum number of independent commissioners required by Bapepam.

LippoBank is managed by the Board of Directors under the supervision of the Board of Commissioners.

The Board of Directors has full responsibility for the management of the Bank. The Directors of LippoBank share responsibility for maintaining a secure and healthy business operation through effective risk management and good corporate governance. The Board of Directors consists of six members, including the President Director.

Compensation to the Board of Commissioners and Board of Directors in 2004 was lower than compensation in 2003 due to reductions in the number of members on both Boards.

Board of Commissioners and Board of Directors Compensation

	2004	2003
Board of Commissioners and Board of Directors	25 billion	26 billion

Board of Commissioners and Board of Directors Meetings

To perform its duties, the Board of Commissioners conducts regular meetings. Except when meeting in closed session, the Board of Directors are present at the Board of Commissioners' meetings. The Corporate Secretary takes the minutes of the meetings. In meetings attended by the Board of Directors, copies of the signed minutes of the meeting are distributed to all members of the Board of Commissioners and the Board of Directors for review and follow-up. In closed sessions, the President Commissioner may decide to limit distribution of the minutes of the meeting to members of the Board of Commissioners. In 2004, the Board of Commissioners held 9 meetings.

In principle, the Board of Directors meet once a week and the Corporate Secretary takes the minutes of the meetings. Copies of the signed minutes of meetings are distributed to all members of the Board of Directors for follow-up action.
A follow-up table is prepared based on decisions made at the Board of Directors meeting and distributed to relevant officers within the organization. In 2004, the Board of Directors held 58 meetings.

Minutes of the meetings of the Board of Commissioners and the Board of Directors are kept by the Corporate Secretary and can be accessed by any authorized internal and external personnel, including Bank Indonesia's On-Site Supervision Team assigned to LippoBank.

Board of Commissioners Committees

To assist the Board of Commissioners in performing its tasks, the Board of Commissioners appoints three Committees: the Audit Committee, the Risk Mitigation Committee and the Corporate Governance Committee. Each Committee has issued its Charter describing the duties and responsibilities of the Committee.

Board of Commissioners Meetings 2004

Board of Commissioners	Meetings Attendance (9)
Mochtar Riady	9
Rainer Silhavy	6
Jan G. Cherim	2
James C. Ng	5
I Nyoman Tjager	6
Djisman Simandjuntak	7
Christopher J. Williams	7
Roy E. Tirtadji	9

Board of Commissioners and Board of Directors Meetings 2004

Board of Directors	Meeting Attendance	
	Board of Directors Meeting (58)	Board of Commissioners Meetings (9)
Joseph F.P. Luhukay	52	9
Yusuf Valent	47	7
Lee Heok Seng	30	7
Hugeng Gozali	54	9
Harry Sasongko	45	7
Tjindrasa Ng	49	7
Mark J. McKenny *	17	4

*) Resigned as of September 1, 2004

Audit Committee

The Audit Committee has the task of providing professional opinions to the Board of Commissioners on reports or other matters submitted by the Board of Directors to the Board of Commissioners.

The Committee shall also be responsible for:

- reviewing financial strategies and financial reports to be issued by the Bank;
- reviewing the Bank's compliance to laws and regulations;
- reviewing audit reports carried out by the internal auditor;

- reviewing the effectiveness of the Bank's system of internal controls;
- reviewing the independence and objectivity of the Bank's Public Accountant;
- reviewing and assessing the performance of internal and external auditors.

The Audit Committee held 3 meetings in 2004.

Audit Committee

1. Jan G. Cherim (Independent Commissioner) – Chairman
2. A. Prijohandojo Kristanto (External Professional) – Member
3. Farid Harianto (External Professional) – Member

Risk Mitigation Committee

The Risk Mitigation Committee shall be responsible for:

- reviewing the Bank's risk-mitigation strategies;
- reviewing major divestment and investment strategies;
- reviewing risk-shifting strategies such as those related to the use of insurance;
- reviewing corporate restructuring related to financial/debt and operational restructuring.

The Risk Mitigation Committee held 3 meetings in 2004.

Risk Mitigation Committee

1. Rainer Silhavy – Chairman
2. James C. Ng (Independent Commissioner) – Member
3. Djisman Simandjuntak (Independent Commissioner) – Member

Corporate Governance Committee

The Corporate Governance Committee performs its task of improving corporate governance practices at LippoBank by reviewing and enhancing the Corporate Policy Manual, as well as by improving the Bank's information disclosure practices and the Board of Commissioners effectiveness.

The Committee is also responsible for the Board of Commissioners and Board of Directors' structure and membership among others by:

- reviewing the size and composition of the existing Board of Commissioners and Board of Directors with respect to the needs of the Bank;
- assessing the nomination and remuneration policies of the Board of Commissioners, the Board of Directors and senior officers, specifically by evaluating the candidate's independence, skills, knowledge and experience and by submitting appointment recommendations to the Board of Commissioners;
- handling conflict of interest cases related to the Bank's senior officers and submits recommendations to the Board of Commissioners.

The Committee also monitors and if necessary, offers its advice regarding the effectiveness of the relationship between management and the Board of Commissioners. The Committee was established in June 2004 and held 2 meetings in 2004.

Corporate Governance Committee

1. I Nyoman Tjager (Independent Commissioner) – Chairman
2. Christopher Williams – Member
3. Roy E. Tirtadji (Independent Commissioner) – Member

Executive Committees

The Board of Directors is assisted by several executive committees. These committees are given the responsibility of providing their opinions on the operational performance and other related matters to LippoBank.

In 2004, 8 Executive Committees assisted the Board of Directors:

- Audit Work Group
- Credit Committee
- Asset Committee
- Risk Management Committee
- Assets and Liabilities Committee
- Vendor Committee
- Product Committee
- Personnel Committee

Corporate Secretary

The Corporate Secretary is responsible for the dissemination of material information related to the performance of the Bank to all related stakeholders. Within LippoBank's organization structure, the Corporate Secretary reports directly to the President Director. As a Group Head, the Corporate Secretary supervises three divisions: Corporate Secretary, Media and Events and Market Relations.

The Corporate Secretary performs the following duties:

- to act effectively according to the Bank's governance practices; to organize meetings of the Board of Commissioners, Board of Directors, Board of Commissioners Committees and Executive Committees, preparing the minutes of the meetings and related reports including reports to relevant authorities;
- to coordinate the General Meeting of Shareholders, right issues, dividend distribution and other corporate actions;
- to record, maintain and manage files related to LippoBank, its subsidiaries and equity holdings and to administer the Bank's share registration process to stock exchanges where the Bank's shares are traded;
- to act as the contact person between LippoBank and the authorities in the banking industry, capital market, stock exchange and the general public;
- to coordinate the Bank's marketing communication activities;
- to perform investor relations and public relations functions.

Information Disclosure

Throughout the year, LippoBank maintained a variety of information dissemination initiatives to ensure that all stakeholders were aware of the latest developments related to the Bank's performance:

- publication of our corporate newsletter, LippoBank Voice;
- publication of our internal newsletter, LippoBankers Club Update and
- our Quarterly Report publication;
- press conferences and LippoBank Focus Group forums attended by the mass media and financial analysts; Public Expose and Press Release distribution;
- Annual Report publication, in both Indonesian and English;
- our corporate web site, http://www.lippobank.co.id that can be accessed by the general public.

In 2004, the Bank also held one Annual General Meeting of Shareholders (AGMS) and three Extraordinary General Meetings of Shareholders (EGMS).

Following the divestment of the government's share in the company and Swissasia Global consortium's assumption of

Information Disclosure Activities 2004

Frequency		Date
Focus Group with the mass media and financial Analysts	7x	17 March, 13 May, 30 June, 29 July, 19 August, 23 September, 23 November
Investor Forum	2x	12 August (CLSA) 3 December (UBS)
Public Expose	1x	29 October
Annual General Meeting of Shareholders	1x	29 June
Extraordinary General Meeting of Shareholders	3x	25 February, 29 June 19 July

the role of majority shareholder with 52.05% shares, the first EGMS was held on February 25, 2004 to approve the appointment of a new board of Commissioners and Directors. The June 29, 2004 EGMS was held to approve a new policy on the sale of assets while on July 19, 2004, an EGMS was organized to approve changes in the Bank's Articles of Association.

Internal Audit

The responsibilities for internal control rest with the Internal Audit Group, which consists of four divisions charged with performing auditing functions with respect to the risk profile. The main duties of the Internal Audit Group are to evaluate, assess and analyze all business activities within the Bank based on each unit's risk profile and the overall corporate risk profile. The Group validates risk assessments on possible risks and coordinates its activities with the Audit Committee. In performing its tasks, the Internal Audit Group performs regular audits and current audits of all units in LippoBank once every year. In 2004, the Internal Audit Group completed 125 regular audits and 66 current audits. To maintain its independence, the Internal Audit Group reports directly to the President Director.

Code of Ethics

Implementation of a code of ethics is a central part of the Bank's effort to build a professional organization that adheres to the ethical values adopted by LippoBank. As part of their adherence to the Bank's code of ethics, all employees, during their yearly performance appraisal, are required to sign a Letter of Undertaking stating their agreement to sanctions should they violate the code of ethics.

Independent Auditor

Based on the recommendation of the Audit Committee, the Board of Commissioners appointed AAJM Associates as LippoBank's independent auditor for the Bank's 2004 financial report. The independent auditor has provided auditing services to LippoBank since the Bank's financial statements of December 31, 2003. Aside from providing the audit service, the independent auditor did not provide any other professional services to the Bank and hence there was no conflict of interest.

Management Change

LippoBank has filed a report to Bank Indonesia, Bapepam, the Jakarta and Surabaya Stock Exchanges on the resignation of Mark J. McKenny from the Board of Directors of LippoBank as of September 1, 2004.

Litigation

LippoBank was subject to 34 legal proceedings, excluding loan collection cases, consisting of 26 civil law cases and 8 criminal cases. The Bank acted as plaintiff in 4 civil law cases and as defendant in 22 civil law cases. Whereas for all the criminal case, LippoBank is the one which files the cases. As of the publication of this report, LippoBank was successful in the majority of the cases, losing only 3. Total claims won by the Bank stood at Rp 45,122,261,124, SGD 340,000 and USD 110,858,676.50 and the Bank's total obligation is Rp 1,320,172,944. All cases are currently being reviewed by higher courts in which any previous decision can be upheld or annulled by the Judge and/or becomes the responsibility of the parties involved.

"Know Your Customers" Program

To prevent money-laundering fraud, LippoBank puts a priority on implementing the "Know Your Customers" (KYC) program as regulated by Bank Indonesia. The Bank has launched various socialization programs to enhance the organization's awareness of the policy, among others by using Intranet technology as an information-sharing tool accessible by all units within the Bank. Throughout the years, LippoBank has also launched several training programs on KYC procedures and has coordinated with internal and external parties to continue improving its KYC implementation.

LippoBank's Participation in the Development of Good Governance Practices in Indonesia

In 2004, LippoBank participated in the Corporate Governance Perception Index Survey organized by the Indonesian Institute of Corporate Governance (IICG). IICG is an independent organization that promotes and develops the practice of good corporate governance in Indonesia. The survey result placed LippoBank within the top 15 of the 2004 Corporate Governance Perception Index (CGPI). LippoBank also participated in the Indonesian Bank Corporate Governance Survey organized by the Asian Development Bank Institute (ADBI), Forum for Corporate Governance in Indonesia (FCGI) and UFJ Institute Indonesia. The interview and submission of supporting documents were completed on October 8, 2004 at LippoBank Headquarters.

LippoBank also actively participates in sharing its experience in corporate governance with the public. Throughout the year, the Bank took part in a number of socialization/seminar programs in corporate governance practices in Indonesia, including:

- CEO Conference at ICT, Jakarta, August 2004 in which Dr. Jos Luhukay, LippoBank's President Director, gave a speech on 'Improving IT Governance – Aligning Business and Technology Strategies';
- Workshop on Good Corporate Governance, Jakarta, September 2004 in which Dr. Jos Luhukay discussed topics on 'Building GCG Awareness';
- The Institute of International Auditors – Indonesia Chapter Conference, Jakarta, December 2004, in which Dr. Jos Luhukay spoke on the subject of 'Use of Good Corporate Governance for Preventing Corruption'.

Future Plans

In the coming years, the Bank will continue improving the internalization of good governance practices at all levels within the organization through the well-programmed socialization of new policies on corporate governance.

auditcommittee

Jakarta, January 31, 2005

Distinguished Members of
The Board of Commissioners of
PT Bank Lippo Tbk (LippoBank)
in Jakarta

Dear Gentlemen,

The LippoBank's Audit Committee has duly performed the following tasks including:

1. Reviewed audit reports by internal auditor (Satuan Kerja Audit Intern (SKAI)) and compliance, as well as conducted Audit Committee meetings on regular basis;

2. Reviewed the Public Accountant's due diligence to ensure that all of the LippoBank's significant risks have been carefully considered; and

3. Reviewed the Financial Reports and other relevant financial information for the fiscal year ending December 31, 2004.

In addition, the Audit Committee also reviewed the Internal Auditor's Reports, observed the procedures and accounting policies and held discussions with the LippoBank's Management, Internal Auditor and Public Accountant.

In consideration of the requisites of Chairman of Bapepam's Decision Letter No. Kep-29/PM/2004 concerning The Establishment and Operational Guidelines of the Audit Committee, and Jakarta Stock Exchange Regulation No.1-A concerning General Stipulations on Registration of Equity Shares in the Stock Exchange, we hereby advise the following:

1. LippoBank has put in place a well functioning internal control system.

2. The Financial Report has been well prepared and presented in accordance with generally accepted accounting practices in Indonesia.

3. The engagement of Public Accountant for year 2004 approved by the Board of Commissioners based on the recommendation made by the Audit Committee taking into account of the independency and competence of the Public Accountant.

This report is hereby submitted by the Audit Committee.

Sincerely,

Jan G. Cherim	A. Prijohandojo Kristanto	Farid Harianto
Chairman	Member	Member

Serving **All Markets**

> “As a national bank with over 50 years of experience, LippoBank offers a tradition of service excellence, through its comprehensive selections of products and services to fulfill the needs of individual and corporate customers.”

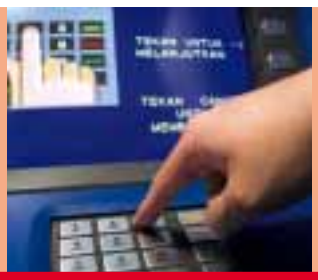
consumerbanking

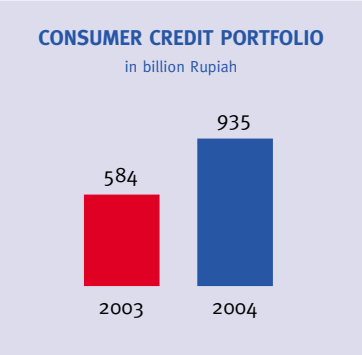
Excellent Products for All

Recent trends toward higher income and rising education standards will inevitably make consumers more selective. They will also search for extensive product portfolios and better service from banks and financial institutions. Customers will have more bills to pay and increasingly value convenience in their banking experiences, while some will travel abroad and make purchases overseas. Others will require loans to finance their growing lifestyle needs.

LippoBank has responded to these challenges by further improving products and services and pursuing healthy growth in its consumer banking business. On the funding side, the Bank's priority focused on two areas: to continue expanding its funding portfolio and shifting the funding mix toward a lower cost composition. In pursuing growth of funding, the Bank has launched a number of programs, including feature enhancements, loyalty programs and promotional programs.

LippoBank also pursued growth in its consumer-lending portfolio, comprised mainly of mortgage, car loans, and credit cards. The expansion in consumer loans was carried out through a series of initiatives geared toward strengthening the existing relationships and developing partnerships with real estate developers and automotive dealers, and increasing synergy with strategic business partners such as Matahari Department Store, AIG Lippo Life, Lippo General Insurance and others. All of these efforts have resulted in encouraging results as indicated by a steady growth in total consumer lending to Rp 935 billion, from last year's figure of Rp 584 billion. These results have been achieved because of the success of the following consumer banking products:





Savings Accounts

Savings Accounts, comprised of Tahapan, Star Account, Super Savings and Tahapan Lippo Yunior, have been instrumental in generating the growth of the Bank's consumer funding, with total funding growing to Rp 10.8 trillion, from Rp 9.1 trillion in 2003. Total accounts also increased to 2.8 million accounts, from the previous year's total of 2.5 million accounts.

With such positive results, LippoBank is committed to continue serving the various needs of its customers. For customers who are actively using their accounts for daily transactions, LippoBank provides convenient and extensive accessibility through a nationwide ATM network and internet banking facilities that allow our customers to carry out their transactions anytime, anywhere. These convenient and secure access options are also available for non-savings account holders.

VIP Banking

For customers maintaining large balances and requiring enhanced privacy in their banking activities, LippoBank provides VIP Banking services, featuring exclusive and personalized services and amenities from VIP Banking Lounges to personalized cheques, VIP airport handling and professional investment advice. Today, VIP Banking services are available at 17 major cities throughout the country, including Jakarta, Surabaya, Medan, Balikpapan, Denpasar, and Makassar.

Debit Card

At LippoBank, we recognize the different needs and requirements of our customers, by providing a wide variety of Debit Cards for all age segments, in association with the Bank's strategic partners and supported by the internationally recognized Visa Electron network. The cards include the Regular card, the Lippo Yunior, Matahari Club Card (MCC VE), Music Television International (MTV VE) and Amway Visa Electron (Amway VE). Through these numerous partnerships, LippoBank has become the largest issuer of Visa Electron cards, with more than 1.9 million members.

Traveler's Cheques

LippoBank's Traveller's Cheques is backed by a strong partnership with American Express Bank, a global leader in international banking. With our tireless efforts to maintain a high level of service quality, LippoBank is proud to be recognized with the Indonesian Best Seller Award for three consecutive years, starting in 2001 up to 2003.

International Wire Transfer

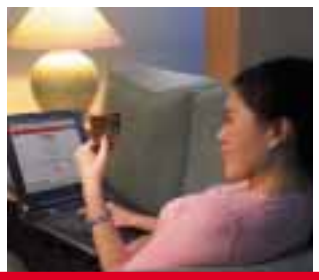
To provide its customers with worldwide fund transfer services, LippoBank has been developing a strong relationship with MoneyGram International. With this partnership, customers will be able to make fund transfers overnight with added security and convenience.

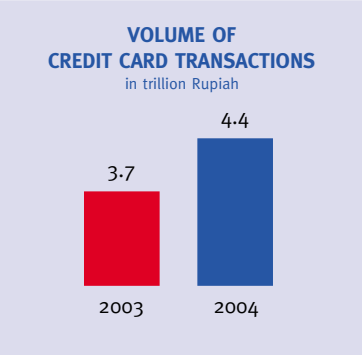
Bancassurance

LippoBank was the first bank to offer a bancassurance program, in partnership with a leading insurance company, AIG Lippo Life and Lippo General Insurance. All bancassurance risk has been underwritten by our insurance partners.

Credit Card

In pursuing growth in its credit card business, LippoBank has focused on expanding its credit card membership base from within its pool of customers and to increase transaction volume generated from its merchant business. To achieve growth of its membership base, LippoBank, in collaboration with Visa and MasterCard International, issues both generic and "affinity" credit cards. The affinity cards include Lady Card and Golf Card. The Lady Card offers unique privileges for female professionals and executives, including free access to year-round, lifestyle- and career-oriented seminars, and free insurance for breast and uterus cancer. The Golf Card is specifically designed for executives and "golf maniacs," offering them privileges and discounts at major golf clubs





and shops, all around the country. Today, LippoBank has more than 166,000 credit card members with a total balance of Rp 117 billion at the end of December.

The credit card merchant business has also seen encouraging growth, with total merchants increasing 12% compared to last year's figure, and a total transaction volume of Rp 4.4 trillion, a 19% increase compared to 2003. This growth was made possible through an intensified effort to expand the merchant network and to increase transaction volumes through various promotional programs.

Home Loans

Home loans have been the key driver of growth in LippoBank's consumer lending portfolio, generating new loans of Rp 537 billion, or a 103% increase compared to last year. This is the result of an expansion strategy that is focused on adding value to home buyers and strengthening relationships with real estate developers. Promotional programs and rewards are geared not only toward prospective buyers, but also toward high-achieving developers and sales agents. Through LippoBank Home Loan's recent "Enthusiastic Package," homeowners are offered 9 benefits, including a 9.99% fixed rate for the first year, free consultation with a renowned Feng Shui expert, free insurance and a chance to win a Daihatsu Xenia.

Automotive Loans

Another important catalyst of consumer lending growth is Automotive Loans, comprised of Car Loans and Motorcycle Loans. Loan growth was achieved through the development of partnerships with leading automotive manufacturers and dealers such as Indomobil Group, Astra Group and Tunas Group, Astrido Group, Honda Imora Group and through the corporate marketing program, offering a Car/Motorcycle Ownership Program (COP) to employees of large corporations.

commercial**banking**

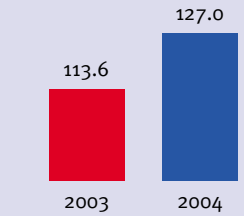
Offering Quality Service

In the commercial banking sector, LippoBank continued to focus on strengthening relationships with our customers. Throughout the year, the Bank launched several initiatives to offer better products supported by more efficient service. LippoBank also continues to seek new alliance opportunities with our partners to further improve customer service. In conducting its commercial banking business, LippoBank always adopts prudent banking principles through rigorous risk management practices.

Business development in the commercial banking sector was implemented through a total relationship concept. This concept focused on expanding LippoBank's business development through good relationships with current customers - multinational, national and state-owned enterprises (pyramid concept). Supported by a number of new product innovation programs, LippoBank also offered several cross-selling financing programs to our existing customers.

LippoBank's commitment to positioning itself as a reliable payment bank was reflected in the increases in cash management transactions, demand deposits and fee-based

FEE-BASED INCOME FROM COMMERCIAL BANKING
in billion Rupiah



income from Rp 113.6 billion in 2003 to Rp 127 billion at the end of 2004. Throughout 2004, the Bank completed several projects to improve its competitiveness in cash management services by developing both its standard and customized services.

On the funding side, the Bank maintained its low-cost funding policies by continuing to build customer loyalty through various appreciation programs and by maintaining LippoBank's position as the payment bank of choice.

Throughout the year, LippoBank also actively served the micro, small and medium-sized enterprise sectors. Under the supervision of the Small & Medium Enterprise Group, LippoBank continued to offer various financing programs and by the end of 2004, the Bank successfully posted a 14% loan increase in these sectors.

treasurymanagement

Maintaining the Balance in Liquidity Management

Treasury management activities at LippoBank focus on the implementation of Assets and Liabilities Management (ALMA), with the objective of maintaining liquidity balance, typically influenced by fluctuations in exchange and interest rates. This is achieved through innovative product development and prudent utilization of various instruments in the capital market, as well as in the domestic and international money markets, so that the impact of such fluctuations can be anticipated and controlled. To ensure prudent management and compliance with good corporate governance (GCG) principles, Treasury Management adheres to strategies and policies formulated by the Assets and Liabilities Committee (ALCO). LippoBank's ALCO is led by the Director of Treasury as the Chairman, with members comprised of Directors and Group Heads related to Treasury operations. In addition, all activities and transactions in Treasury are monitored on a real time, online basis by the Risk Management Group to prevent any transactional negligence and irregularity.

As a business unit, Treasury is responsible for generating income by taking calculated risks and performing trading transactions, including Foreign Exchange and Money Market transactions. In carrying out such transactions, Treasury must comply with the guidelines of the monetary authority, such as Net Open Position (NOP) and Minimum Reserve Requirements (MRR), as well as to comply with LippoBank's internal policies on risk management.

Treasury Products

Product development and marketing activities in Treasury are geared toward providing customers with hedging capabilities to protect the values of their commercial trades and toward providing optimal return for their investments. Products that are gaining positive acceptance from our customers include foreign exchange transaction services, with same day settlement date (Today), next day settlement date (Tomorrow) and a settlement date of 2 days after transaction date (Spot).

Furthermore, to ensure service excellence and customer satisfaction, Treasury offers competitive pricing for all of its products and services.

LippoBank
LippoBank
LippoBank

Solid **Infrastructure**

> **“As a commitment to its clients, LippoBank is continuously enhancing its infrastructure capabilities supported by state-of-the-art technology, strong network and highly capable people.”**

riskmanagement

Building a Reliable Risk Management System

With the issuance of a Bank Indonesia regulation regarding Risk Management Implementation for banks, LippoBank has taken steps to improve the Bank's Risk Management System in order to comply with the following 4 pillars stipulated in the regulation:

1. Active Supervision by Commissioners and Directors.
2. Adequacy of Policies, Procedures and Authorization Guidelines.
3. Adequacy of Identification Process, Measurements, Monitoring, Risk Control and Risk Management Information System.
4. Comprehensive Internal Control System.

Among the initiatives carried out was the appointment of external consultants to perform a bank-wide risk management gap analysis. Based on the analysis, LippoBank developed and submitted a number of action plans to be implemented by December 2004. Realization and progress of the action plans were reported to Bank Indonesia in a timely manner.

LippoBank has also taken a proactive approach in preparing for the implementation of Basel II Accord issued by the Basel Committee in June 2004. As an initial step, LippoBank is actively participating in the working group initiated by Bank Indonesia to support the banking industry in preparing for the Basel II Accord implementation.

Risk Management at LippoBank

To implement sound risk management practices, the Board of Commissioners, through its Risk Mitigation Committee, has established:

1. A Risk Management Charter, comprised of a Risk Management Framework, Risk Management Infrastructure and Risk Management Process.
2. A Risk Management Philosophy, consisting of Risk Vision, Risk Mission, Risk Appetite, Risk Tolerance and Risk Limits.

The Bank has established various committees, both at the Commissioners and Directors levels, to support such rigorous implementation of risk management practices, They include a Risk Mitigation Committee, Corporate Governance Committee, Audit Committee, Risk Management Committee, Central Credit Committee, Assets and Liabilities Committee, Product Committee, and Audit Working Group. Several policies have also been published to provide guidance for risk management, including a Risk Management Manual, Product Proposal Policy, Legal Manual, Public Relation Manual, Corporate Planning Manual, Compliance Manual and Internal Audit Manual.

LippoBank has also launched several socialization programs to ensure that all Risk Taking Units maintain a high level of risk awareness in carrying out their activities.

To complete the implementation of risk management in the years to come, LippoBank will focus on:

1. Preparing Risk Profile Reports to management and Bank Indonesia
2. Preparing policy on a Business Continuity Plan throughout the organization
3. Implementing continuous risk awareness socialization initiatives

Credit Risk Management

In general, credit risk are risks pertaining to the potential failure on the part of borrowers and other counter parties to fulfill their obligations as stated in the terms and conditions of the agreements.

To ensure that the Bank's credit and its counter parties are managed in accordance with prudent banking principles, LippoBank has taken a number of measures to mitigate potential risks arising from the extension of facilities to borrowers and counterparties.

The Central Credit Committee has a mandate to review and revise the Credit Manual and Procedures, review and make decisions on credit proposals in large amounts, as well as to ensure the adequacy of provisions to anticipate potential losses.

Furthermore, LippoBank performs ongoing initiatives to review and improve its credit issuance policies by revising its Credit Manual and Procedures that encompasses Credit Approval Authorities, Credit Committee Guidelines, Credit Documentation, Cash Collateralized Credits and Collateral Appraisal. The Bank also conducts continuous evaluation and review on limitations in risk management, such as Loan Concentration Limits.

Credit quality evaluation is carried out in reference to LippoBank's internal policies, which are written based on Bank Indonesia Regulations, while the process of quality evaluation on counter parties makes use of the Investment Grade issued by leading domestic and international rating institutions, in accordance with Bank Indonesia Regulations.

The Bank monitors credit risks through a periodical review of the top 200 borrowers in Central Credit Committee meetings. Moreover, the Committee also constantly monitors limitations in credit risk management, and reports its findings to the management.

An independent group unit that is not involved in the credit approval process,
the Restructuring and Settlement Group handles the settlement process of non-performing loans.

IT systems have been developed and utilized to continuously monitor credit and counter party risks. Nevertheless, constant efforts are employed to further enhance the systems and ensure better MIS and reporting systems qualities, as well as to maintain excellent support to our monitoring and supervisory functions for better credit policy and procedures.

To anticipate future implementation of the Basel II Accord by Bank Indonesia, by 2005 LippoBank will launch a new methodology, Internal Credit Risk Rating, to measure credit risks.

Market and Liquidity Risk Management

Market risks are risks due to fluctuations in exchange and interest rates in the open market. Such factors carry the potential threat of losses to the Bank's portfolio.

To ensure that market risks are consistently being managed in accordance with sound banking principles, LippoBank has taken various steps as described in the following paragraphs.

The Assets and Liabilities Committee reviews assets and liabilities strategy, interest rate risk positioning, pricing and business achievements compared to initial targets.

Policies and procedures related to market risk management are also constantly under review, including the Treasury Manual, Trading Book Policy and Banking Book Policy.

To manage market risk, a variety of methodologies have been used to measure risks associated with exchange and interest rates, including Standard Model and Internal Model. Standard Model is used to calculate risks pertaining to the calculation of the Capital Adequacy Ratio. This is in compliance with Bank Indonesia's requirement to submit the calculation of a capital adequacy ratio that incorporates market risk factors. For the internal practice of market risk control, LippoBank uses several Internal Models, including a Value at Risk model for measuring risks associated with exchange rates fluctuations, and a Basis Point Value to measure risks pertaining to interest rate fluctuations. To anticipate potential losses, a series of back tests and stress tests are regularly performed and the results are reported to the management.

Treasury transaction monitoring is exercised by the Treasury Middle Office, on a real time and daily transaction basis for fluctuations in exchange and interest rates, as well as in compliance with the predetermined limitations. Results of these monitoring activities are periodically reported to the management.

In another development, LippoBank has linked its OPIC System, used to monitor market risks, with Reuters System, so that all transactions performed through Reuters System are directly recorded (in real time) into OPICS, reducing potential human error and decreasing the time needed to produce reports.

Liquidity Risks are risks associated with the Bank's potential inability to fulfill its liabilities. To ensure prudence in liquidity risk management, LippoBank has devised several initiatives, including the preparation of a regular Liquidity Report Analysis using Normal Scenario and Fire Scenario, and based on a maturity profile of the Bank's assets and liabilities.

Liquidity risk management process is conducted by monitoring the Liquidity Gap and predetermined limitations. Results of these monitoring activities are periodically reported to the management.

To further develop and improve market risk management practices, validation of the Internal Model is conducted by the Internal Audit Unit, while a Liquidity Contingency Plan is currently under development to improve liquidity risk management practices.

Operational Risk Management

Operational Risks are risk factors arising from, among others, inadequacy and or failures of internal processes, human error, system failures and other external factors affecting the Bank's operations.

To ensure prudence in operational risk management, LippoBank has devised several initiatives, including the implementation of a Risk Self Assessment (RSA). Through this implementation program, operational units, after completing specific training programs, are responsible for performing self-assessments on operational risks they are potentially facing. The self assessment encompasses the assessment, measurement, control and mitigation of significant impacts due to the prevailing and significant risk factors.

Meanwhile, risk control on the Bank's product development is conducted through the Product Committee. The Product Committee is led by the President Director and comprised of senior, cross-functional executives in the areas of Risk Management, Operations Management and Product Development.

Other operational risk management activities conducted during 2004 included the review of various operational policies and procedures, formulation of a Settlement Manual and the evaluation of various legal documents, as well as a review of various documents and forms used in operational processes. Also, the forum of the Audit Working Group conducted regular meetings to ensure that audit findings were being followed up properly.

On the IT support side, LippoBank has reviewed its Back-up System and Disaster Recover Plan and is currently in the final stage of formulating basic policies regarding the Business Continuity Plan.

In its constant effort to develop and improve its operational risk management practices, in 2005 LippoBank is currently recording loss events that have occurred in the past into a Loss Event Database. This data will then be analyzed and reported to management periodically. To further reduce its operational risk, especially human error, LippoBank is also strengthening its internal control function at all management levels.

Restructuring and Settlement

In cooperation with regional and branch offices, the Restructuring and Settlement Group has initiated a series of ongoing efforts to handle non-performing loans (NPL).

LippoBank is determined to minimize any increase in NPL through a systematic approach in handling borrowers with collectibility 2 status, including intensive monitoring, early detection, problem analysis, and credit settlement analysis.

Meanwhile, for cooperative borrowers, a sound prospective business and adequate financial conditions to service their loans, LippoBank is pursuing an NPL settlement process that includes restructuring and rescheduling agreements. On the other hand, for non-cooperative borrowers, the Bank is opting for legal settlement and accelerations of recovery from foreclosed assets.

Improvements in our settlement strategy for credit cards related to NPL initiated in early 2003 has shown positive results as reflected by a lower delinquency ratio, from an average of 4.43% in 2003 to 3.84% in 2004 (MasterCard and Visa) while the figure for the national delinquency ratio for 2004 was 9.11% (from Visa International).

Finally, LippoBank has implemented an Early Detection Monitoring System and Fraud Awareness Program that has proved to be effective in preventing credit card fraud, and providing enhanced convenience and security for the Bank's cardholders.

branchnetwork

Expanding the Reach

As the Indonesian economy experienced encouraging growth over the past few years, banking services have increasingly become a routine need for Indonesians. Customers, not only from big cities but also from suburban and rural areas now demand convenient, fast, secure and reliable banking services. This has prompted LippoBank to focus its channel and network development program in the areas of service quality, branch network revitalization and feature enhancements for its electronic banking facilities.

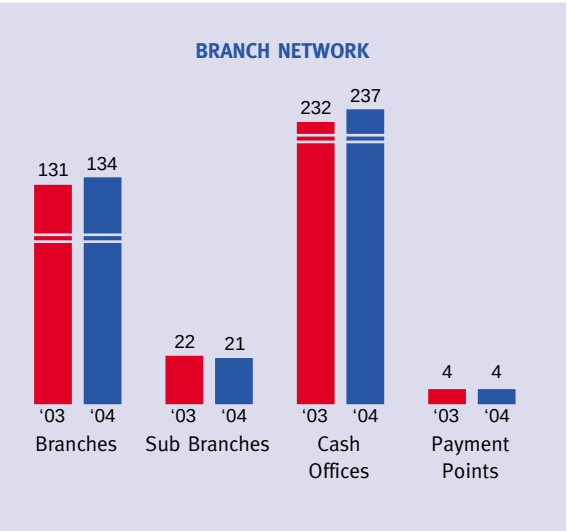
These efforts have started to deliver positive results, as indicated by an increasing transaction volume of over Rp 400 trillion, or more than 16 times the amount of the Bank's public funds, and thus positioning LippoBank as the 2nd largest payment bank in Indonesia. With the increasing transaction volume, the Bank earned a higher fee-based income of Rp 485 billion, a 14.4% increase over last year.

Branch Network

Throughout 2004, LippoBank continued to revitalize its branch network, by concentrating on two major initiatives: implementing profit-center management and the opening and upgrading of branches, sub-branches and cash offices.

The implementation of profit center management principles at the branch level helps branch managers and staff to easily "see" the branch office as a full business entity responsible for both the revenue and cost aspects of the business. This will ultimately motivate branch managers and staff to pursue enhanced branch performance in terms of both revenue generation and cost efficiencies.

In the areas of network expansion and revitalization, the Bank opened two new branches in Dumai, Riau and Bukittinggi, West Sumatra. The Bank also upgraded



1 sub-branch to a full branch and opened 8 new cash offices in Jakarta, Tangerang, Bogor, Solo and Bali. By end of 2004, LippoBank was operating 134 branches, 21 sub branches, 237 cash offices, and 4 payment points.

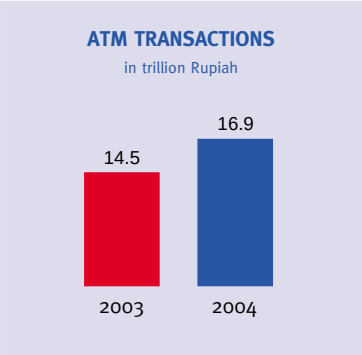
Transactional Banking Facilities

As information and communication technology develops, customers demand faster, more secure and accessible banking transactions. LippoBank recognizes these trends and continues to enhance its transactional banking facilities. Utilizing its sophisticated information technology with improved reliability, security and accessibility, LippoBank offers quick and accessible banking transactions through its ATM network, LippoNetBank, e-LippoLink, call center and web-based services. To ensure excellence in service quality, LippoBank has received certification of its service quality standard from the internationally recognized, ISO 9002 standard.

LippoBank ATM

By the end of 2004, LippoBank operated over 690 online ATMs in more than 100 cities throughout Indonesia. The Bank is focused on expanding its ATM network and enhancing the ATM features with Value Added Services (VAS) covering fund transfer, payment services, purchasing facilities and debit transactions. The ATM's fund transfer provides the customers with easy, accurate and secure facilities to transfer funds not only within the Bank's account, but also to other banks within the ALTO network. The payment services offer convenient and quick access to perform routine payments of phone and electricity bills, credit card bills, personal loans and insurance.

Transaction volume in 2004 reached 48 million transactions valued at more than Rp 16.9 trillion, representing a 14% increase from last year. From these transactions, the Bank earned fee-based revenues amounting to Rp 24.8 billion, up 27% compared to 2003 figure.



Internet Banking

Through its Internet banking service LippoNetBank, LippoBank strives to fulfill the growing needs for reliable and convenient access to electronic banking. Improvement programs launched during 2004 covered feature enhancements, access improvements and educational programs. LippoNetBank was the first to provide "One Click Multiple Payment" and "Interbank Fund Transfer" through Regular Clearing (LLG) and RTGS. LippoNetBank also offers Bill Payment transactions that increasingly become popular among our internet-minded customers.

To increase the number of users and boost utilization, LippoNetBank has installed 26 Autonets (LippoNetBank online terminals) in selected branches and plans to install more terminals. The Bank has also launched various educational and promotional programs in selected branches and public places such as schools, universities and shopping malls to increase internet-banking utilization. By the end of the year, the number of users soared more than 6 times, to 30,427 users, from 2003 figure of 4,779 users.

LippoNetBank's remarkable performance has been achieved by the use of both advanced technology and efficient and reliable operations management. Supported by coordinated network, prudent capacity planning and reliable security technology, the Bank has managed to offer uncompromisingly safe yet easy to use internet environment that earns reputable position among the leading players of internet banking in Indonesia.

To fulfill the growing needs of its corporate and commercial customers, LippoBank offers e-LippoLink, an internet-based, transactional banking facility. With the support of real time online IT infrastructure, the service has become popular for its flexibility, reliability and accuracy, providing our corporate and commercial customers with enhanced speed and efficiency in managing their cash flow and other financial transactions. More importantly, e-LippoLink is supported by professional financial and technical staff, which works tirelessly to tailor banking solutions to customers' needs and to ensure the highest quality system performance and availability. As of end 2004, our customer list has reached 617 companies, with total inquiry transactions of over 156,000, fund transfers of 33,000 items and total monthly turnover of Rp 15 trillion.

LippoBank Website

As internet technology rapidly reached a global scale during the 90's, websites have become a must-have tool for individuals, organizations and corporations, hoping to

introduce themselves to communities worldwide. Learning from the many successes and failures of other websites as a strategic communication tool, LippoBank, utilizes its website, www.lippobank.co.id, as a "window" for the public to learn about the Bank. Besides basic information such as products & services and branch & ATM network locations, the website also presents information, such as the Bank's business and financial performance reports, recent corporate actions and strategic directions and policies in responding to the competitive challenges, typically used by securities and financial analysts. LippoBank is committed to further utilize its website to increase transparency and disclosures, in accordance with the Bank's tireless effort to strengthen the implementation of good corporate governance principles.

Recently, Alexa.com, an international website rating institution, listed LippoBank's website as having the second highest hit rate among Indonesia's banking websites.

LippoBank Call Center 14042

LippoBank's electronic channels also provide a call center with a single nationwide contact number 14042. Throughout 2004, the Bank succeeded in maintaining a high level of responsiveness, with inbound service level of 97%. Looking ahead, LippoBank is determined to improve its service quality through several key initiatives, including upgrading the existing call center to become a contact center, supported by professional staff trained not only for handling complaints and inquiries, but also for marketing the bank's products and services. Initially, 50 telemarketing agents have been recruited for the contact center.

In the near future, LippoBank's electronic banking channels will also be enhanced, through the introduction of phone banking services, to accommodate the customers' lifestyle and dynamic mobility needs. The objective is to ensure that customers will be able to perform their banking transactions in a convenient and secure manner.

information**technology**

Developing Competence in Technology

Information technology has become an integral part of financial and banking business operations. In these industries, technology contributes to enhancements in the level of service but more importantly, information technology plays a significant role in contributing added values and creating a competitive advantage.

As one of the prominent banks in Indonesia, LippoBank always makes technology as a vital component in its strategy. Consistently, the Bank pursues higher technology competence by adopting international best practices standards. The strategic importance of information technology is reflected in LippoBank's success in becoming the payment bank of choice, an accomplishment that can only be attained through solid technological support.

Our achievements in information technology have also received positive recognition from the market. In 2004, LippoBank received the Microsoft Windows International Server Challenge Award after being awarded the IT Governance Award from the Indonesia Infocosm Business Community in 2003.

2004 Achievements

To support our growth, LippoBank has completed several initiatives to improve, upgrade and increase its technology platform capacity. Any investment in information technology is linked to the Bank's overall strategy, while keeping in mind opportunities for strategic outsourcing.

In keeping with international banking practices and complying with Bank Indonesia's regulations, we are also continuing to build our technology competence to provide quality support to risk management practices within the organization. In 2004, we implemented the Know Your Customer System and Anti Money Laundering (AML) Transaction Monitoring System.

To support the process of system management, LippoBank is currently developing an integrated system to support information technology service. Enterprise Management Systems (EMS) supports the following activities:

- Availability Management
- Performance & Capacity Planning Management
- Production Acceptance Test Management

- Change Management
- Problem Management
- Tape Back-up Management
- Storage Management
- Network Management
- IT Asset & Configuration Management
- Security Management
- Disaster Recovery Plan Management.
- Facilities Management
- Data Center Operation Management

EMS ensures that our IT team can offer the highest level of service to all users, both external (customers, shareholders, regulators, etc.) and within the Bank's organization.

Heading Towards the Future

Market demands on financial services will continue to increase, both in terms of the range of products and services required as well as service accessibility.

Therefore, our future initiatives will focus on building technology platforms to anticipate both current and future business demands. In order to maintain our technology leadership, LippoBank will continue to focus on service quality improvements, governance and accessibility as our major goals in the years ahead.

operational**management**

Continuous Improvements in Service Quality

In support of LippoBank's 2004 theme of "Back to Profitability," operational management activities focused on improving efficiency while maintaining superior levels of quality and performance. Several strategic initiatives have been launched, including the centralization of operation centers, system and procedure enhancements, outsourcing, and internal controls.

Centralization of Operation Centers

Along with the rapid advancement of information and communication technology, room for efficiency improvements are opening up, allowing corporations to reach a greater economies of scale. LippoBank is taking advantage of such developments by implementing a carefully planned centralization of operation centers. Through this program, operation functions, previously handled in each branch, were centralized to regional operation centers. Supported by reliable information and communication technology, these regional operation centers are capable of carrying out operational tasks, including clearing and account maintenance processes, on a massive scale, allowing the Bank to reach higher efficiency in terms of operational cost per transaction. Additionally, centralization of operation centers provides further cost reductions through reduced overhead costs, such as office space rental/purchase and building maintenance.

System and Procedure Enhancements

The pursuit of higher cost-efficiency was also achieved through numerous system and procedure enhancement initiatives, both at head office and at branch office levels. During implementation, these initiatives begin with intensive review and analysis on existing operation lines, followed by cross-functional discussions to identify areas with "room for improvements." Recommendations for improvements were then formulated and pilot-tested in a designated branch office. Upon successful pilot-testing, a corporate-wide implementation is planned and implemented.

Outsourcing Program

Outsourcing programs are implemented for non-core business activities, with the objective of achieving higher levels of operational efficiency. Through outsourcing programs, non-core processes are contracted out to third-party companies which, besides having specific competencies for the job, also possess greater economies of scale, enabling them to

perform the task more efficiently. In 2004, an outsourcing program was implemented for call center operations while outsourcing implementation for other functions continue to be carefully reviewed and analyzed.

Strengthening the Internal Control

Besides efficiency improvements, LippoBank also strives to improve the quality of its internal control functions to ensure that harmful operational irregularities and negligence can be prevented. Among the key initiatives launched in 2004 was the introduction of Current Audit, a procedure for early detection of frauds to ensure the security of all banking transactions. The implementation of this new procedure has enabled the Bank to reduce its operational risks. This is because operational risks and weaknesses, which potentially have both a financial and a non-financial impact, can be immediately identified and recommendations for solutions and corrective actions can be promptly formulated (built-in-control).

Through various efficiency improvement programs, LippoBank has managed to cut operational costs (excluding provisions) by Rp 47 billion or 4.6% to become Rp 986 billion. In line with the increase in revenue, the Bank has succeeded in lowering its cost to income ratio from 91% in 2003 to 69% in 2004.

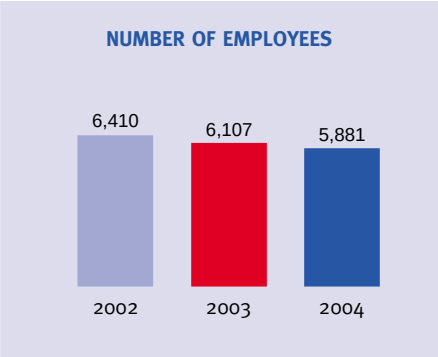
Looking ahead, LippoBank remains steadfast in its commitment to continuous improvement through the further strengthening of our efficiency culture, by increasing awareness throughout the company, by fostering innovations in product development, systems and procedures, and by implementing outsourcing programs in potential non-core activities.

humanresources

Achieving Best Performance

LippoBank recognizes that the success of many initiatives and strategic programs aimed at continuous performance and competitiveness improvements critically depends on the performance of employees at all levels of the organization. Therefore, human resource development is among the key programs implemented in 2004. The program encompasses organizational revitalization, corporate culture development, a performance management system, competence development, recruitment and career development, as well as our remuneration system. Implementations of these human resource programs are supported by a strong commitment from top management and solid cooperation between the Human Resource Development division and the Operations and Technical units throughout the company.

Looking ahead, LippoBank is dedicated to continuing our human resource and corporate culture development, both of which are the main pillars of our strategy to achieve a healthy level of profitability and a sustainable pace of growth.



Organizational Revitalization

Organization structure serves a critical role in converting employee performance into organizational performance. Through organizational revitalization efforts, LippoBank is aiming to enhance its efficiency and effectiveness. Improvement programs that were completed in 2004 involved the flattening of the organizational layers. Currently, only 1 layer exists between top management and branch management, compared to 6 layers previously. In addition to pursuing higher levels of efficiency, the revitalization program is also intended to increase organizational responsiveness, in the face of increased competition.

Corporate Culture Development

Besides organizational structure, corporate culture also plays a significant role in converting employee performance into organizational strength. Development in corporate culture is focused on efforts to enhance the service culture throughout the organization. In this respect, socialization and educational programs are implemented to emphasize the importance of service qualities, not only to external customers, but also to internal customers such as peer business units and supporting functions. Considering that the quality of service provided to external customers is highly dependent on the performance of internal processes, the awareness and culture of internal customer service becomes critical.

Performance Evaluation Systems

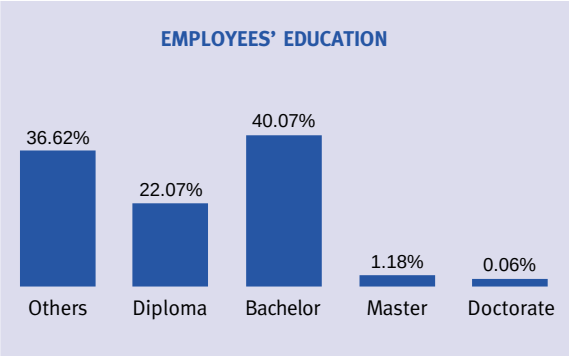
Implementation of on-going performance management systems at Lippo Bank starts by setting a target at the beginning of the year, followed by periodic evaluation and ends with a performance evaluation process at the end of the year, based on the competency approach. This allows management to plan the career development path of each employee. The performance planning and evaluation process involve intensive communication between subordinates and their supervising officers, creating an open and conducive environment to ensure that the performance target is reached. Based on the performance evaluation, competence and career development plans are outlined so that employees are motivated to continuously improve their performance.

Competence Development

Within the spirit of nurturing competent and competitive human resources, LippoBank designated 2004 as the "Year of Training Enhancement," signified by the intensification of training programs in the areas of personal development, service quality improvements, as well as managerial and leadership skills. The implementation of training programs are also supported by reputable educational institutions, including LPPM, Prasetya Mulya, DDI Consultant, Hay Group, EEC, University of Indonesia, Dynamics Consultant and many others. For functional training programs currently unavailable in Indonesia, LippoBank also sends some of its best employees to attend development programs abroad. Besides technical training, LippoBank also provides opportunities for its middle management to pursue Master's degrees in reputable universities in Indonesia.

Recruitment and Career Development

LippoBank continues to strengthen efforts to develop career paths for its employees. One of the key initiatives was the adoption of a "promotion from within" policy, to encourage filling job vacancies from within the organization. Meanwhile, recruitment programs from external sources continue to be conducted, primarily to fill entry-level positions such as account officer, customer service representative and teller. For this purpose, the Bank is fostering alliances with leading universities all over Indonesia.



Remuneration

In 2004, a number of projects were carried out in order to offer the best possible remuneration packages in line with developments in the workforce market. Following a salary survey project coordinated by the Hay Group, Lippo Bank improved its level of remuneration to remain competitive in the market.

Employees were also enlisted to participate in the Jamsostek and Pension Plan programs for their retirement. In addition, every year we evaluate and improve our health insurance package. At the end of the year, bonuses are provided to show our appreciation for our employees' productivity and performance throughout the year.

socialresponsibility

Prospering Together with the Community

LippoBank considers surrounding communities its main partners in achieving mutual prosperity. Through various activities realized during 2004, both at the head office level and branch office level, LippoBank committed itself to play an active role in improving people's welfare and standard of living, particularly in the areas of health, education, religion and disaster recovery. Routine programs that are in place include blood donor programs, scholarships and the enhancement of religious facilities.

Education

LippoBank is consistently active in participating in the improvement of the country's education system. Cooperation programs with renowned universities throughout Indonesia are already in place. The Bank is currently supporting the University of Indonesia's Diploma Program III in Banking, in the Social and Political Science Department and also provides computers to the Bogor Agricultural Institute.

In addition, since the beginning of the year, the Bank has supported the Indonesian Reading House Foundation in establishing 12 "reading houses" in remote areas of Indonesia.

Mitigation of Tsunami Disaster in Aceh and North Sumatra

In response to the devastating earthquake and tsunami that wiped out the coastal lands of Nanggroe Aceh Darussalam and North Sumatra at the end of 2004, LippoBank has had active participation from employees of all levels in comforting the victims and helping them to recover their lives, through the Caring for National Disaster (Peduli Bencana Nasional) program. In cooperation with Bank Indonesia, PT Koran Media Investor Indonesia and SCTV, through January 2005, LippoBank has managed to raise funds of over Rp 12.3 billion. A relief center was also set up in Medan immediately after the disaster in late December 2004.

lookingforward

Focus in Profitability Growth

Taking advantage of positive momentum achieved in 2004, the Bank will continue its profitability growth theme next year. In 2005, we will also continue to focus on developing the Bank's service culture throughout the organization.

To support this profitability growth agenda, the Bank has selected a number of strategic priorities as follows:

Improving Quality Of Assets

To continue to improve its quality of assets, LippoBank will further develop loan assets by focusing on the retail, SME and consumer markets. The Bank is also planning to resolve its foreclosed assets while maintaining its profitability level.

Managing Expenses

In the future, LippoBank will continue to maintain its low-cost funding structure. The Bank will also initiate efforts to improve its sales and operation productivity while maintaining current expense levels.

Increasing Transparency and Sound Banking Practices

Development of the Bank's competence will focus on enhancing transparency practices and sound banking practices.

As part of its commitment to accountability and transparency principles, LippoBank will take advantage of various kinds of media to disseminate significant information on the Bank's performance while improving the frequency of information updates.

To continue developing sound banking practices, the Bank will focus on implementing the international best practice in risk management system.

financialreview

Financial Review

In contrast to previous years, 2004 has been a year in which Indonesia showed signs of recovery from the impact of the economic crisis, despite certain sectors like law enforcement that have yet to show progress in promoting a more conducive business climate. In the economic sector, the government elections and fluctuations in international fuel prices have had a slightly adverse effect on the value of the rupiah. However, in the real sector relatively stable interest rates during the second half of 2004 helped encourage economic activity.

On the other hand, LippoBank has successfully anticipated the impact of a declining SBI interest rate by approximately 2.6% from an average of 10.1% in 2003 to 7.5% in 2004, even though the decline directly affected the Bank's income with most of its assets being dominated by various securities instruments and government bonds. One of our successes was in boosting our loan portfolio, which was relatively unaffected by interest rate fluctuations, so that by the end of 2004 we had an 18.3% increase in our loan assets value, compared to last year.

From among several notable achievements accomplished this year, we would like to highlight LippoBank's successful return to profitability. The Bank's positive net income was the result of various initiatives aimed at achieving improvements in assets, liabilities and operational efficiency.

Throughout 2004, the Bank continued to implement its prudent network expansion strategy. Branch expansion efforts to improve customer service were executed selectively in regions with positive economic growth potentials while improvements in other delivery channels (ATM and Internet Banking) were carried out through feature and reliability enhancements.

FINANCIAL PERFORMANCE (in million Rupiah, except for net income (loss) per share data)	**2004**	**2003** (restated)
Net Interest Income	935,142	708,021
Other Operating Income – Net	485,139	424,187
Non Operating Income (Expenses) – Net	481,159	(367,394)
Provision (Reversal of Allowance) for Possible Losses on Productive Assets	(21,323)	94,617
Other Operating Income	1,018,079	1,033,154
Income (Loss) Before Income Tax	904,684	(362,957)
Deferred Income Tax Expense	12,000	153,000
Net Income (Loss)	892,684	(515,957)
Net Income (Loss) per Share	227.97	(131.77)

2004 Performance

LippoBank recorded an overall positive 2004 performance, reflected by our Rp 893 billion net income. This remarkable outcome can be attributed to the successful implementation of various strategies in several sectors. The Bank executed a prudent loan expansion strategy while maintaining a healthy funding composition to ensure increases in net interest income. Throughout the year LippoBank also pursued growth in its fee-based income while lowering its expense level. On the non-operational side, the Bank recorded non-recurring income, due to recognized income from the reversal of provision on foreclosed assets. However even without including non-recurring income, the Bank demonstrated significant financial improvement in 2004, compared to that of 2003.

Net Interest Income

Net interest income is generated from productive assets including loans, inter-bank placements, investments in marketable securities as well as fees and commissions related to loans. Interest expense comes from interest paid (including insurance premiums and prizes) on public funds deposited with LippoBank and interest paid on borrowings. In line with increases in the Bank's loans, interest income on loans contributed 31.9% of LippoBank's total interest income. At the same time, the Bank continued to manage its cost of funds and recorded a 24.3% decrease in its interest expense to Rp 879 billion in 2004 while enjoying a 4.5% increase of third party funds.

NET INTEREST INCOME (in million Rupiah)	2004	2003 (restated)
INTEREST INCOME		
Securities	620,477	593,764
Loans	580,337	578,570
Government Bonds	509,906	619,294
Others	108,820	85,431
Sub Total Interest Income	1,819,540	1,877,059
INTEREST EXPENSES		
Third Party Funds	878,958	1,161,120
Others	5,440	7,918
Sub Total Interest Expenses	884,398	1,169,038
NET INTEREST INCOME	935,142	708,021

OTHER OPERATING INCOME (in million Rupiah)	2004	2003 (restated)
Fees and Commission from Unrelated Loan Transactions	334,718	286,858
Gain on Foreign Exchange Transactions – Net	51,279	45,911
Other Income	99,142	91,418
Total Other Operating Income (Net)	485,139	424,187

Supported by these two achievements, the Bank recorded a 32.1% increase in net interest income compared to last year's performance. We are pleased to report that this strong income base will provide a solid foundation for further net interest income in years ahead.

Other Operating Income

Other operating income or fee-based income is mainly generated from fees collected from customer transactions or fees and commissions gained from non-lending transactions. By the end of 2004, fee-based income recorded a 14.4% increase over last year's performance. In 2004, fee-based income remained an important contributor to the Bank representing one-third of LippoBank's total income. Maintaining its position as the payment bank of choice, LippoBank has great potential to further increase its fee-based income in years to come.

Other Operating Expenses

Other operating expenses cover personnel expenses, general and administrative expenses, provision for possible losses on foreclosed assets and other expenses. Improvement towards efficient operating expense management was one of LippoBank's main priorities in 2004. In total the Bank

Other Operating Expenses (in million Rupiah)	2004	2003 (restated)
Other Operating Expense		
Personnel Expenses	379,407	399,333
General and Administrative Expenses	585,613	604,281
Others	21,003	29,540
Other Operating Expense	986,023	1,033,154
Provision for Possible Losses on Foreclosed Assets	32,056	–
Total Other Operating Expenses	1,018,079	1,033,154

LOANS (in million Rupiah)	2004	2003 (restated)
Rupiah	4,653,757	3,363,264
Foreign Currency (in Rupiah equivalent)	961,736	1,382,768
Total Loans	5,615,493	4,746,032

recorded a 4.6% reduction in its other operating expenses (excluding provision for possible losses on foreclosed assets) through reorganization, operation centralization and better management of capital expenditure, while maintaining its level of operational activities.

Total Assets and Loans

By the end of 2004, total assets grew 5.2% reaching Rp 27.8 trillion. Loans enjoyed the highest growth to Rp 869 billion or an 18.3% increase compared to 2003. New loans were dominated by rupiah denomination loans considering LippoBank's adoption of risk management policies that among others focuses on currency fluctuation risks. Other earning assets, mainly consisting of government bonds and SBIs, were soundly managed as part of the Bank's liquidity management.

Growth in the loan business was supported by improvements in loan quality as reflected by consistent reductions in the Bank's non-performing loans (NPL). As of December 31, 2004 LippoBank managed to improve its NPL-gross ratio to 6.8% (2003: 8.8%), while maintaining its NPL-net ratio at the 2.2% level as a result of a conservative management of provision.

Source of Fund Composition (in million Rupiah)	2004	2003 (restated)
Rupiah		
Demand Deposits	5,054,291	4,453,698
Savings	10,811,658	9,103,268
Time Deposits	5,138,047	5,611,552
Certificate of Deposits	0	5,493
Foreign Currency (in Rupiah equivalent)		
Demand Deposits	3,028,337	3,565,454
Time Deposits	820,152	1,049,202

as of December 31, 2004

CAPITAL STRUCTURE (actual)	SHARE AMOUNT	NOMINAL VALUE	TOTAL NOMINAL VALUE
Class A Share	85,698,000	Rp 5,000	Rp 428,490,000,000
Class B Share	3,730,019,952	Rp 100	Rp 373,001,995,200
Class C Share	100,015,087	Rp 100	Rp 10,001,508,700
Total	3,915,733,039		Rp 811,493,503,900

EQUITY COMPOSITION (in million Rupiah)	2004	2003 (restated)
Capital Stock	811,494	811,494
Additional Pad-in Capital	9,779,687	9,779,687
Fixed Assets Revaluation Reserve	633,300	633,300
Unrealized Losses on Valuation to Market of Available for Sale Securities	(11,070)	(1,185)
Retained Earnings (Deficit)		
- Appropriated	265,096	265,096
- Unappropriated	(9,170,483)	(10,063,167)
Total Equity	**2,308,024**	**1,425,225**

Source of Funds and Liquidity Management

Throughout 2004, LippoBank maintained its position as the bank of choice for customers' deposits through its demand and savings deposits. Demand and savings deposits grew by 0.8% and 18.8% respectively compared to those of 2003. Due to its higher interest expenses, last year the Bank no longer targeted time deposits in its marketing efforts, so that by the end of 2004 time deposits declined by 10.6%. In total, third party funds grew by 4.5% in 2004 where low-cost funds reached the highest record of 76%, placing LippoBank as one of the banks with the lowest cost of funds in Indonesia.

In line with the growing trend toward third party funds, LippoBank maintained its priority of liquidity management. Excess funds were invested in various liquid and low-risk financial instruments covering government debts and SBIs that can be liquidated as needed.

With the positive net income gained in 2004, LippoBank's equity increased by 61.9% to Rp 2.3 trillion. By the end of 2004, the Bank's capital adequacy ratio (CAR) reached 20.9%, well beyond the 8% threshold required by Bank Indonesia. Supported by a healthy CAR, the Bank has a strong capital structure with which to continue its expansion strategy.

Independent Auditors' Report and Financial Statements For the Year Ended December 31, 2004 and 2003

Directors' Statement regarding the responsibility for PT Bank Lippo Tbk's financial statements as of December 31, 2004 and 2003

We the undersigned:

1. Name	:	JOSEPH F.P LUHUKAY
Address	:	Menara Asia 9th Fl., Jl. Raya Diponegoro 101 Lippo Karawaci, Tangerang 15810
Residential Address (as in identity card or other qualifier)	:	Jl. Tumarintis No. 9 Jakarta Selatan
Telephone	:	5460333
Title	:	President Director
2. Name	:	HUGENG GOZALI
Address	:	Menara Asia 8th Fl., Jl. Raya Diponegoro 101 Lippo Karawaci, Tangerang 15810
Residential Address (as in identity card or other qualifier)	:	Jl. Tamansari V / 22 C Jakarta Barat
Telephone	:	5460333
Title	:	Director

Declare that:

1. We are responsible for the preparation and the presentation of the financial statements of PT Bank Lippo Tbk ("Bank");

2. The Bank's financial statements have been prepared and presented in accordance with accounting principles generally accepted in Indonesia;

3. a. All information has been fully and correctly disclosed in the Bank's financial statements;
   b. The Bank's financial statements do not contain false material information or facts, nor do they omit material information or facts; and

4. We are responsible for the Bank's internal control system.

This is our declaration, which has been made truthfully.

Lippo Karawaci, Tangerang, January 31, 2005

METERAI TEMPEL 6000 ENAM RIBU RUPIAH

JOSEPH F.P LUHUKAY
President Director

HUGENG GOZALI
Director

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Jl. Raya Diponegoro 101
Lippo Karawaci, Tangerang 15810
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Telp. : (021) 5460333, 5460555, 5460666 (Hunting)
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Number : R/015/02/05

Aryanto Amir Jusuf & Mawar
Registered Public Accountants
Samudera Indonesia Building Floor 3, 3A & 5
Jl. Letjen. S. Parman Kav. 35 Jakarta 11480 - Indonesia
Phone : (62) (21) 530 7889
Fax. : (62) (21) 530 7867, 530 7908

Independent Auditors' Report

The Stockholders, Commissioners and Directors
PT Bank Lippo Tbk

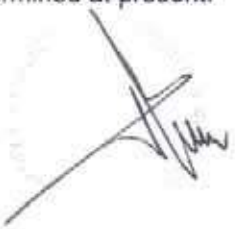
We have audited the balance sheets of PT Bank Lippo Tbk (Bank) as of December 31, 2004 and 2003, and the related statements of income, changes in stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards established by the Indonesian Institute of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PT Bank Lippo Tbk as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles in Indonesia.

As stated in Note 3 to the financial statements, the Bank has adopted early application of SFAS No. 24 (Revised 2004) regarding "Employee Benefits" as the change in accounting policy retrospectively. As the consequence, the Bank's financial statements for the year ended December 31, 2003 has been restated for comparison with the financial statements for the year ended December 31, 2004.

As described in Note 44 to the financial statements, the Bank's operations had been affected, and are still predicted to be affected by economic conditions in Indonesia in the future. As a result, there are some uncertainties that might affect the Bank's operations. The effects of these uncertainties cannot be determined at present.



Mawar I.R. Napitupulu, SE, MBA
Public Accountant License Number: 98.1.0203

Jakarta, January 31, 2005

The accompanying financial statements are not intended to present the financial position, results of operations, changes in stockholders' equity and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Indonesia. Accordingly, the accompanying balance sheets and related statements of income, changes in stockholders' equity and cash flows and their utilizations are not designed for those who are not informed about Indonesian accounting principles, procedures and practices.

The standards, procedures and practices utilized in Indonesia to audit such financial statements may differ from those generally accepted in countries and jurisdictions other than Indonesia.

PT BANK LIPPO Tbk
BALANCE SHEETS
As of December 31, 2004 and 2003
(Expressed in Million Rupiah, Except Share Data)

ASSETS	Notes	2004	2003 (Restated Note 3, 22, 31.b)
		Rp	Rp
Cash	2.a, 2.s, 4	493,166	582,880
Current Accounts with Bank Indonesia	2.a, 2.s, 5	1,765,986	1,272,011
Current Accounts with Other Banks			
Net of allowance for possible losses of Rp 1,300 as of December 31, 2004 (2003: Rp 3,662)	2.a, 2.c, 2.k, 2.s, 6	128,664	362,498
Placements with Other Banks			
Third Parties	2.d, 2.k, 2.s, 7	2,034,930	2,496,985
Related Parties	2.b, 32	55,153	--
Net of allowance for possible losses of Rp 113,605 as of December 31, 2004 (2003: Rp 113,226)			
Securities			
Net of allowance for possible losses of Rp 221,256 as of December 31, 2004 (2003: Rp 247,962)	2.e, 2.k, 2.s, 8	7,810,465	8,320,200
Securities Purchased under Resale Agreements			
Net of allowance for possible losses of nil as of December 31, 2004 (2003: Rp 516)	2.f, 2.k, 9	--	51,044
Derivative Receivables			
Net of allowance for possible losses of Rp 4 as of December 31, 2004 (2003: Rp 51)	2.g, 2.k, 2.s, 10	369	5,010
Loans			
Third Parties	2.i, 2.k, 2.s, 11	4,895,371	3,882,677
Related Parties	2.b, 32	117,081	145,122
Net of allowance for possible losses of Rp 603,041 as of December 31, 2004 (2003: Rp 718,233)			
Acceptance Receivables			
Net of allowance for possible losses of Rp 1,485 as of December 31, 2004 (2003: Rp 1,656)	2.j, 2.k, 2.s, 12	34,200	48,911
Government Bonds	2.h, 13	6,993,136	5,617,445
Investments in Shares of Stock			
Net of allowance for possible losses of Rp 618 as of December 31, 2004 (2003: Rp 314)	2.b, 2.k, 2.l,14, 32	3,846	4,150
Fixed Assets			
Net of accumulated depreciation of Rp 1,047,403 as of December 31, 2004 (2003: Rp 943,556)	2.m, 15	818,250	821,334
Deferred Tax Assets	2.t, 23.c	78,000	90,000
Foreclosed Assets			
Net of allowance for possible losses of Rp 165,234 as of December 31, 2004 (2003: Rp 321,657)	2.n, 16	2,138,709	2,316,903
Prepaid Taxes		6,385	507
Accrued Income		180,461	76,771
Prepaid Expenses	2.o	70,728	75,076
Other Assets		207,208	296,829
TOTAL ASSETS		**27,832,108**	**26,466,353**

See the Accompanying Notes which are an integral part of these Financial Statements

PT BANK LIPPO Tbk
BALANCE SHEETS (Continued)
As of December 31, 2004 and 2003
(Expressed in Million Rupiah, Except Share Data)

LIABILITIES AND EQUITY	Notes	2004	2003 (Restated Note 3, 22, 31.b)
		Rp	Rp
Liabilities			
Current Liabilities	17	144,394	274,327
Deposits from Customers			
Third Parties	2.p, 2.s, 18	24,566,298	23,505,655
Related Parties	2.b, 32	286,187	283,012
Deposits from Other Banks	2.s, 19	24,177	17,873
Derivative Payables	2.g, 2.s, 10	1,186	--
Acceptance Payables	2.j, 2.s, 12	35,685	50,567
Borrowings	20	31,738	39,120
Taxes Payable	23.a	31,408	390,282
Subordinated Debt	21	25,409	29,645
Allowance for Possible Losses on Commitments and Contingencies	2.k, 34	5,499	4,717
Accruals and Other Liabilities	2.u, 3, 22, 31.b	372,103	445,930
Total Liabilities		25,524,084	25,041,128
Stockholders' Equity			
Capital Stock - par value per share Rp 5,000 for Class A shares and Rp 100 for Class B and C shares			
Authorized - 85,698,000 Class A shares, 9,715,100,000 Class B shares and 3,000,000,000 Class C shares			
Issued and Fully Paid - 85,698,000 Class A shares, 3,730,019,952 Class B shares and 100,015,087 Class C shares (2003: 85,698,000 Class A shares, 1,687,262,852 Class B shares and 2,142,772,187 Class C shares)	24	811,494	811,494
Additional Paid-in Capital	2.m, 15	9,779,687	9,779,687
Fixed Assets Revaluation Reserve	2.e	633,300	633,300
Unrealized Losses on Valuation to Market of Available - for - Sale Securities		(11,070)	(1,185)
Retained Earnings (Deficit)			
Appropriated		265,096	265,096
Unappropriated		(9,170,483)	(10,063,167)
Total Stockholders' Equity		2,308,024	1,425,225
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**27,832,108**	**26,466,353**

See the Accompanying Notes which are an integral part of these Financial Statements

PT BANK LIPPO Tbk
STATEMENTS OF INCOME
For the Years Ended December 31, 2004 and 2003
(Expressed in Million Rupiah, Except Per Share Data)

	Notes	2004 Rp	2003 Rp
OPERATING INCOME AND EXPENSES			
Interest Income			
Interest	2.q, 25	1,775,058	1,848,289
Fees and Commissions	2.r	44,482	28,770
Total Interest Income		1,819,540	1,877,059
Interest Expense	2.q, 26	(884,398)	(1,169,038)
Interest Income - Net		935,142	708,021
OTHER OPERATING INCOME			
Fees and Commissions from Unrelated Loan Transactions	27	334,718	286,858
Gain on Foreign Exchange Transactions - Net	2.s	51,279	45,911
Gain from Securities Transactions - Net		16,108	5,869
Others - Net		83,034	85,549
Total Other Operating Income		485,139	424,187
Provision (Reversal of Allowance) for Possible Losses on Productive Assets	2.k	(22,293)	94,157
Provision for Allowance for Possible Losses on Commitments and Contingencies	2.k	970	460
OTHER OPERATING EXPENSES			
General and Administrative Expenses	28	585,613	604,281
Personnel Expenses	2.u, 29	379,407	399,333
Provision for Possible Losses on Foreclosed Assets	2.n	32,056	--
Others		21,003	29,540
Total Other Operating Expenses		1,018,079	1,033,154
INCOME FROM OPERATIONS		423,525	4,437
NON OPERATING INCOME (EXPENSES) - NET	30	481,159	(367,394)
INCOME (LOSS) BEFORE INCOME TAX		904,684	(362,957)
DEFERRED INCOME TAX EXPENSE	2.t, 23.c	12,000	153,000
NET INCOME (LOSS)		**892,684**	**(515,957)**
NET INCOME (LOSS) PER SHARE	2.v	**227,97**	**(131,77)**

See the Accompanying Notes which are an integral part of these Financial Statements

PT BANK LIPPO Tbk
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2004 and 2003
(Expressed in Million Rupiah)

	Notes	Capital Issued and Fully Paid	Additional Paid in Capital	Fixed Assets Revaluation Reserve	Unrealized Losses on Valuation to Market of Available - for - Sale Securities	Retained Earnings (Deficit)		Total Stockholders' Equity
						Appropriated	Unappropriated	
		Rp	Rp	Rp	Rp	Rp	Rp	Rp
BALANCE AS OF DECEMBER 31, 2002 (Restated Note 3, 22, 31.b)	**3**	**811,494**	**9,779,687**	**633,300**	**22,298**	**265,096**	**(9,547,210)**	**1,964,665**
Unrealized Losses on Valuation to Market of Available - for - Sale Securities		--	--	--	(23,483)	--	--	(23,483)
Net Loss		--	--	--	--	--	(515,957)	(515,957)
BALANCE AS OF DECEMBER 31, 2003 (Restated Note 3, 22, 31.b)	**3**	**811,494**	**9,779,687**	**633,300**	**(1,185)**	**265,096**	**(10,063,167)**	**1,425,225**
Unrealized Losses on Valuation to Market of Available - for - Sale Securities		--	--	--	(9,885)	--	--	(9,885)
Net Income		--	--	--	--	--	892,684	892,684
BALANCE AS OF DECEMBER 31, 2004		**811,494**	**9,779,687**	**633,300**	**(11,070)**	**265,096**	**(9,170,483)**	**2,308,024**

See the Accompanying Notes which are an integral part of these Financial Statements

PT BANK LIPPO Tbk
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2004 and 2003
(Expressed in Million Rupiah)

	2004 Rp	2003 Rp
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest Income, Investment Income, Fees and Commissions Received	2,154,258	2,255,321
Proceeds from Sale of Foreclosed Assets	218,315	550
Other Operating Income	83,587	115,338
Gain on Foreign Exchange - Net	51,279	11,771
Non Operating Income (Expenses) - Net	4,158	(353,604)
Payment of Interest and Other Financing Charges	(980,205)	(1,114,641)
Other Operating and Non-Operating Expenses	(914,380)	(1,075,355)
Income (Loss) before Changes in Operating Assets and Liabilities	617,012	(160,620)
Changes in Operating Assets and Liabilities		
Decrease (Increase) in:		
Placements with Other Banks	406,523	(318,128)
Securities	(819,591)	(1,604,840)
Loans	(691,266)	257,724
Other Assets	(218,359)	(52,753)
Increase (Decrease) in:		
Deposits:		
Demand	63,476	700,532
Savings	1,708,390	660,274
Time Deposits	(702,555)	360,173
Certificates of Deposits	(5,493)	2,801
Other Liabilities	(78,144)	404,580
Net Cash Provided by Operating Activities	**279,993**	**249,743**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Disposal of Fixed Assets	12,498	9,370
Dividends from Investee Companies	149	303
Increase in Investments in Shares of Stock	304	(826)
Acquisition of Fixed Assets	(113,261)	(63,928)
Net Cash Used in Investing Activities	**(100,310)**	**(55,081)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Subordinated Debt	(4,236)	(9,092)
Payment of Borrowings	(7,382)	(8,313)
Net Cash Used in Financing Activities	**(11,618)**	**(17,405)**

See the Accompanying Notes which are an integral part of these Financial Statements

PT BANK LIPPO Tbk
STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended December 31, 2004 and 2003
(Expressed in Million Rupiah)

	2004 Rp	2003 Rp
NET INCREASE IN CASH AND CASH EQUIVALENTS	168,065	177,257
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,221,051	2,043,794
CASH AND CASH EQUIVALENTS AT END OF YEAR	**2,389,116**	**2,221,051**
Cash and Cash Equivalents consist of:		
Cash	493,166	582,880
Current Accounts with Bank Indonesia	1,765,986	1,272,011
Current Accounts with Other Banks	129,964	366,160
Total	**2,389,116**	**2,221,051**

See the Accompanying Notes which are an integral part of these Financial Statements

1. General

1.a. Establishment of Bank

PT Bank Lippo Tbk (Bank) was established on March 11, 1948 based on notarial deed No. 51 of Meester Karel Eduard Krijgsman. The deed of establishment was approved by the Ministry of Justice in its decree No. J.A. 5/11/24 dated April 3, 1948 and was published in the State Gazette No. 36, Supplement No. 96 dated May 4, 1948. The articles of association have been amended several times, most recently by notarial deed No. 21 of Ny. Poerbaningsih Adi Warsito, SH, dated July 19, 2004, regarding the changes of several articles in articles of association, amongst which are the shareholders' composition changes from Class C shares to Class B shares as IBRA (qq Government of Republic of Indonesia) had divested its shares to Swissasia Global Consortium (see Note 24). These amendments have been approved by the Ministry of Justice and Human Rights in its letter No. C-19018 HT.01.04.TH.2004 dated July 29, 2004.

The Bank's scope of activities is to engage in general banking services and has obtained license to conduct foreign exchange activities.

The Bank's Head Office is located in Tangerang with address at Gedung Menara Asia, Jalan Raya Diponegoro No. 101, Lippo Karawaci. The Bank has branches, sub branches, cash offices and payment service offices as follows:

	2004	2003
Branches Offices	134	131
Sub Branches Offices	21	22
Cash Offices	237	232
Payment Service Offices	4	4

As of December 31, 2004, the liquidation process of the Manila Offshore Banking Unit (OBU) has not been fully completed for the pending receipt of tax clearance from the Philippine Tax Office. In 1999, in connection with the Bank's plan to concentrate its activities within Indonesia, the Bank has submitted to the Bangko Sentral ng Pilipinas letters of intent to liquidate/close the Manila OBU. The Bank had received acknowledgment from Bangko Sentral ng Pilipinas in its letter No. OFRD-L151-99 dated July 1, 1999 regarding the closure of the Bank's OBU in Manila to be effective on June 30, 1999. Furthermore, the Bank has issued a notification letter to Bank Indonesia regarding the closure of Bank's foreign branch in Manila.

Bank had opened Manila OBU, which approved by Bangko Sentral ng Pilipinas (Central Bank of Philipina) in March 28, 1994, after obtaining an authorization from Ministry of Finance through its letter No. KEP-295/KM.17/1993 dated December 24, 1993. Manila OBU started its commercial operation on September 9, 1994.

1.b. Public Offering of the Bank's Shares

On October 1989, the Bank obtained the notice of effectivity from the Chairman of the Capital Market Supervisory Agency (BAPEPAM) in its letter No. SI-059/SHM/MK.10-1989 for the Bank's public offering of 6,800,000 shares. These shares were listed on the Indonesian Stock Exchange on November 10, 1989. The listed shares have been increased several times, which the latest increase was the listing on July 5, 1999 of 11,326,436,900 Class B shares at Rp 10 par value per share through the fourth issuance of stock rights. As of December 31, 2004, all of the issued shares by the Bank, except the Government's shares arising from the recapitalization program (see Note 24), are listed on the stock exchanges in Indonesia.

1.c. Board of Commissioners and Directors

The members of the Bank's Board of Commissioners and Directors as of December 31, 2004 based on the Bank's Stockholders' General Meeting on June 29, 2004, as covered by notarial deed No. 75 dated June 29, 2004 of Ny. Poerbaningsih Adi Warsito, SH, are as follows:

Commissioners:

President Commissioner	: Dr. Mochtar Riady
Deputy President Commissioner	: Rainer Silhavy
Commissioner	: Jan Gregersen Cherim
Commissioner	: Dr. I. Nyoman Tjager
Commissioner	: James Chi Ming Ng
Commissioner	: Dr. Djisman Simandjuntak
Commissioner	: Christopher James Williams
Commissioner	: Roy Edu Tirtadji

Directors:

President Director	: Dr. Joseph Fellipus Peter Luhukay
Director	: Lee Heok Seng
Director	: Hugeng Gozali
Director	: Yusuf Valent
Director	: Tjindrasa Ng
Director	: Harry Sasongko

As of December 31, 2004, the Bank has 5,881 permanent employees (2003: 6,107 permanent employees) (unaudited).

2. Summary of Significant Accounting Policies

2.a. Basis of Preparation of the Financial Statements

The financial statements have been prepared in conformity with generally accepted accounting principles in Indonesia and the Capital Market Supervisory Agency (BAPEPAM) rules and guidelines for financial statement presentations and disclosures for publicly listed companies and prevailing banking industry practices and accounting and reporting guidelines prescribed by the banking regulatory authorities in Indonesia.

The financial statements have been prepared on the accrual basis and historical cost concepts, except for certain securities which are valued at market value, certain fixed assets which were revalued in accordance with government regulations and certain investment in share of stocks which are accounted under the equity method.

The statements of cash flows present cash receipts and payments which classified into operating, investing and financing activities. For presentation in the statements of cash flows, cash and cash equivalents that consist of cash, current accounts with Bank Indonesia and with other banks.

2.b. Transactions with Related Parties

The Bank has conducted transactions with certain parties which are regarded as related parties with the Bank under Statements of Financial Accounting Standards (SFAS) No. 7, "Related Party Disclosures". All significant transactions with related parties are disclosed in the financial statements.

2.c. Current Accounts with Other Banks

Current accounts with other banks are stated at their outstanding balances and net of allowance for possible losses.

2.d. Placements with Other Banks

Placements with other banks represent placements in the form of call money, certificates of deposits, and other placements. This account are stated at outstanding balances of each placements and net of allowance for possible losses.

2.e. Securities

Securities consist of certificates of Bank Indonesia, promissory notes, medium-term notes, floating rate notes and negotiable export drafts that are traded in the money market and bonds that are listed on the stock exchanges.

In accordance with SFAS No. 50, "Accounting for Certain Securities", securities are stated based on the following classifications:

1. Trading securities are stated at fair value. Unrealized gains or losses from the appreciation or decline in the fair value of securities are credited or charged to current statements of income.
2. Available-for-sale securities are stated at fair value. Unrealized gains or losses from the appreciation or decline in the fair value of securities are presented as a separate component of stockholders' equity.
3. Held-to-maturity securities for which the Bank has the positive intent and ability to hold to maturity are stated at cost, adjusted for the amortization of premiums or discounts.

The transfer of securities to another classification is accounted for at fair value at the date of transfer. The unrealized gains or losses from the appreciation or decline in the fair value of securities at the date of transfer are accounted for as follows:

1. For securities transferred from the trading classification, the previously recognized unrealized gains or losses that credited or charged to current statements of income at the time of transfer are not reversed.
2. For securities transferred to trading classification, the unrealized gains or losses at the time of transfer are credited or charged to current statements of income immediately.
3. For held-to-maturity debt securities transferred into available-for-sale classification, the unrealized gains or losses at the date of transfer are presented as a separate component of stockholders' equity.
4. For available-for-sale debt securities transferred into held-to-maturity classification, the unrealized gains or losses at the date of transfer are continued to be reported in a separate component of stockholders' equity but are amortized over the remaining lives of the securities as an adjustment of yield in a manner consistent with the amortization of any premium or discount.

Fair value is determined based on quoted market prices.

Declining in the fair value of individual held-to-maturity securities, other than temporary, below its cost is recognized as loss in current statements of income.

2.f. Securities Purchased under Resale Agreements

Securities purchased under resale agreements (reverse repo) are presented as receivables and stated at the agreed resale price, net of the difference between purchase price and resale price. The difference between purchase price and resale price, is amortized as income over the purchase and resale of the securities period. Allowance for possible losses represents as a deduction of securities purchased under resale agreements.

2.g. Derivative Receivables and Payables

In the normal course of business, the Bank enters into transactions involving derivative financial instruments such as foreign currency forward contracts and foreign currency swaps. Derivative receivables and payables are presented at the amount of unrealized gains or losses from derivative contracts for trading purposes.

The unrealized gains or losses are calculated from the difference between contract value and fair value of derivative instruments at reporting date and charged to current statements of income. The fair value is determined based on market value, using pricing method or other market pricing instruments with similar characteristics.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Allowance for possible losses represents as a deduction of derivative receivables.

2.h. Government Bonds

Government Bonds consist of Government Bonds from the recapitalization program and Government Bonds purchased from the market.

Government Bonds are classified into trading, available for sale and held to maturity.

Government Bonds that are classified as trading are stated at fair value and the unrealized gains or losses from changes in fair value are charged to current statement of income. Fair values are determined on basis of quoted market prices.

Government Bonds that are classified as available for sale are stated at fair value and the unrealized gains or losses from the changes of fair value are presented as a separate component from stockholders' equity.

Government Bonds that are classified as held to maturity are stated at cost.

2.i. Loans

Loans are stated at their outstanding balance less an allowance for possible losses. Loans under joint financing (syndicated loans) and channeling loans are stated at the principal amount according to the risk portion assumed by the Bank.

Restructured loans are presented at the lower of carrying value of the loan at the time of restructuring or net present value of the total future cash receipts after restructuring. Losses arising from any excess of the carrying value of the loan at time of restructuring over the net present value of the total future cash receipts after restructuring, are recognized in the statement of income.

Non performing loans are written off against the related allowance for possible losses when there is no realistic prospect of collection. Subsequent recovery is credited to the allowance for possible losses in balance sheet.

Loans Purchased from IBRA

During the year 2002, the Bank purchased loans from Indonesia Banking Restructuring Agency (IBRA). The accounting treatment for these loans follows Bank Indonesia Regulation No. 4/7/PBI/2002 dated September 27, 2002.

The difference between the outstanding loan principal and purchase price is booked as allowance for possible losses if the Bank does not enter into a new loan agreement with the borrower and as deferred income if the Bank enters into a new loan agreement with the borrower.

Any receipt from borrower are deducted from the outstanding loan principal and/or recognized as interest income according to new loan agreement. The allowance for possible losses or deferred incomes can only be adjusted if the Bank has received the payment amounting to the original purchase price.

The loan purchased from IBRA must be written off if they cannot be recovered during 5 (five) years from the date of purchase.

2.j. Acceptance Receivables and Payables

Acceptance receivables and payables are stated at the value of Letter of Credit (L/C) or realizable value of L/C accepted by counter party banks. The acceptance receivables are presented net of allowance for possible losses.

2.k. Allowance for Possible Losses on Earning Assets and Estimated Losses on Commitments and Contingencies

Earning assets consist of current account with other banks, placements with other banks, securities, securities purchased under resale agreements, derivative receivables, loans, acceptance receivables, government bonds, investments in shares of stock and commitments and contingencies which carry credit risk.

The allowance for possible losses on earning assets is based on Bank Indonesia's criteria according to Decree of the Director of Bank Indonesia No. 31/148/KEP/DIR dated November 12, 1998 which classifies earning assets into 5 (five) categories, with the following rates of allowance for possible losses:

Classification	Minimum Percentage of Allowance for Possible Losses
Current	1%
Special Mention	5%
Substandard	15%
Doubtful	50%
Loss	100%

The above rates of allowance for possible losses are applied to the outstanding balance of earning assets less the collateral value in accordance with Decree of the Director of Bank Indonesia, except for earning assets classified as Current and Special mention, where the rates are applied directly to the outstanding balance of earning assets.

Earning assets classified as current and special mention are considered as performing earning assets, in accordance with Bank Indonesia's regulation. Non performing earning assets consist of assets with classification of substandard, doubtful and loss.

The allowance for possible losses consist of specific and general allowance.

Specific provisions for non performing loans are calculated based on the borrower's debt servicing ability and the adequacy of collateral value. Specific provisions are made if the borrower's ability to service the loan is questionable and the Management considers that the estimated recovery from the borrower is likely to fall short from the amount of principal and interest outstanding.

General provisions are maintained for losses that are not yet identified but can reasonably be expected to arise, based on historical experience, from the existing overall loan portfolio. In determining the level of general provisions, the Management follows Bank Indonesia's regulations.

Estimated losses on commitments and contingencies are presented in the liability section of the balance sheets.

2.l. Investments in Shares of Stock

Investments in shares of stock represent investments in non publicly listed companies principally engaged in the financial services industry and held for the long term purpose.

Investments in shares of stock with ownership interest of 20% to 50% are accounted for using the equity method. Using this method, the Bank's proportionate share in the net income or loss of the associates after the date of acquisition is added to or deducted from, and the dividends received are deducted from, the acquisition costs of the investments.

Investments wherein the Bank has an ownership interest of less than 20% and whose market price is unavailable are carried at cost. Under this method, investments are carried at cost reduced by an allowance for diminution in value of investments.

2.m. Fixed Assets

Fixed assets are stated at cost less accumulated depreciation, except for landrights and certain properties which had been revalued in accordance with government regulations (see Note 15). Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Years
Buildings	20
Building improvements and installations	5
Office machines	5
Office furniture and equipments	5
Vehicles	5

In compliance with SFAS No. 47, "Accounting for Land", the acquisition of land after January 1, 1999 are stated at carrying cost and not depreciated. The material expenses which related with acquisition or extension of landrights is deferred and amortized based on the shorter period between landrights or economic age of land.

The cost of repairs and maintenance is charged to current statement of income as incurred. Significant renewals and betterments are capitalized. When fixed assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to current statement of income.

In compliance with SFAS No. 48, "Impairment in Asset Value", the Bank reviews the carrying values of its fixed assets for any impairment and possible write-down to fair values whenever events of changes in circumstances as indicated in SFAS No. 48 show that their carrying values may not be fully recovered. The excess of the carrying value over the estimated recoverable amount of the fixed assets is charged to current statement of income.

2.n. Foreclosed Assets

Foreclosed assets acquired in settlement of loans are recorded at the lower of total loan exposure and the asset appraised values or mutually agreed price. Any excess of loan balance over appraised value, which is not recoverable from the borrower, is charged to current statement of income.

Holding costs subsequent to the foreclosure or acquisition of the assets are charged to current statement of income as incurred. Gains or losses from sale of foreclosed assets are credited or charged to current statement of income.

At balance sheets date, foreclosed assets are stated at their estimated net realizable value. Any difference between the estimated net realizable value and the carrying value of the assets are charged to current statement of income and credited to allowance for possible losses.

2.o. Prepaid Expenses

Prepaid expenses are amortized over their beneficial periods by using the straight-line method.

2.p. Deposits From Customers

Demand deposits, saving deposits and time deposits are stated at nominal value.

Certificate of deposits are stated at nominal value reduced by unamortized interest.

2.q. Interest Income and Expense

Interest income and expense are recognized on accrual basis.

When a loan is classified as a non-performing loan, any interest income previously recognized but not yet collected is reversed against interest income. The reversed interest income is recognized as a contingent receivable.

Interest income on loan classified as Substandard is recognized only to the extent of cash collections received.

Cash receipts from loans that are classified as Doubtful or Loss are applied to the loan principal first. The excess of cash receipts over loan principal is recognized as interest income in current statement of income.

Interest on non-performing loans that is capitalized upon debt restructuring is deferred and is recognized as income upon actual collection. Interest receivables on non-performing loans are disclosed as contingent receivables in the notes to the financial statements.

Loans and other earning assets are considered as non-performing when the principal or interest is 90 (ninety) days or more past due, or those classified as Substandard, Doubtful or Loss in accordance with Bank Indonesia's regulations, or when in the opinion of Management, the collection of interest and/or principal is doubtful.

2.r. Fees and Commissions

Significant fees and commissions which are directly related to the granting of loans or for specified years are deferred and amortized based on the straight-line method over the respective years. The unamortized balance of fees and commissions relating to loans that is settled prior to maturity is recognized as income at settlement. Fees and commissions which are indirectly related to the granting of loans or not for specified years are recorded to income upon execution of the transactions.

2.s. Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded in Rupiah amounts at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to Rupiah based on the Reuters spot rate as of 4:00 p.m., West Indonesia Time. The resulting gains or losses are credited or charged to current year statement of income.

As of December 31, 2004 and 2003, the exchange rates used (in full amount of Rupiah) were :

	2004 Rp	2003 Rp
United States Dollar	9,285.00	8,425.00
Yen	90.59	78.93
Euro	12,660.10	10,648.76
Singapore Dollar	5,689.83	4,964.27
Australian Dollar	7,234.41	6,331.36
Canadian Dollar	7,719.82	6,526.29
Hongkong Dollar	1,194.32	1,085.91
Pound Sterling	17,908.34	15,057.06
Swiss Franc	8,205.60	6,830.42
New Zealand Dollar	6,678.65	5,536.22

2.t. Income Taxes

The Bank accounts for income tax under SFAS No. 46, "Accounting for Income Taxes", which requires accounting for the tax effects of the recovery of assets and settlement of liabilities at their carrying amounts, and the recognition and measurement of deferred tax assets and deferred tax liabilities for the expected future tax consequences of events recognized in the financial statements, including tax loss carryforward.

2.u. Pension Fund and Employee Benefits Program

Pension Fund

The Bank has a defined contribution pension plan covering all of its permanent employees.

Pension plan is funded by the Bank and employees' contributions of 5% and 3% of the employees' annual salaries, respectively. Contributions made are charged to current statement of income.

Employee Benefits Program

The Bank provides employee defined benefits according to Labor Law No. 13/2003 in year 2003. Based on SFAS No. 24 (Revised 2004) regarding "Employee Benefits", the liability of past service cost is estimated using Projected Unit Credit Method. The implementation of SFAS No. 24 (Revised 2004) has caused the changes in Bank's accounting policy. No funding of benefits has been made by the Bank in regards to the estimated liability.

Based on SFAS No. 24 (Revised 2004), the employee benefit expense is recognized directly, except for the actuarial gain (loss) and non vested past service cost.

Cumulative actuarial gain (loss) in excess of 10% of present value of defined benefit liability is amortized over its estimated remaining future service. However, actuarial gain (loss) from liability upon employees who are beyond normal retirement age but still active is recognized immediately since the liability is already due.

2.v. Net Income (Loss) Per Share

Net income (loss) per share is computed by dividing net income (loss) with the weighted average number of shares outstanding during the year.

2.w. Segment Information

Segment information is prepared using the accounting policies adopted for preparing and presenting the financial statements. The primary segment information is based on geographical segments, while secondary segment information is based on business segments.

A geographical segments is a distinguishable component of the Bank that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those components operating in other economic environment.

The Bank is engaged in general banking activities, therefore only has one business segment which is banking. Accordingly, no business segment information is presented.

2.x. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in Indonesia requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Restatement of the Financial Statement

On June 24, 2004, the Indonesian Institute of Accountants (IAI) has issued a Statement of Financial Accounting Standards (SFAS) No. 24 (Revised 2004) regarding “Employee Benefits”. Based on the statement, the Bank has adopted early application of SFAS No. 24 (Revised 2004) as the change of accounting policy by using retrospective approach. Therefore, the Bank’s financial statements for the year ended December 31, 2003 has been restated for comparison with this report.

The restatement of financial statements for the year ended December 31, 2003 as the effect of SFAS No. 24 (Revised 2004) implementation, consists of the following accounts :

	December 31, 2003	
	Before Restated Rp	After Restated Rp
Balance Sheet		
Accruals and Other Liabilities (Note 22 and 31.b)	395,739	445,930
Deficit	(9,747,880)	(9,798,071)

4. Cash

	2004 Rp	2003 Rp
Rupiah	460,788	548,908
Foreign Currencies		
United States Dollar	30,065	33,022
Singapore Dollar	2,266	803
Australian Dollar	47	147
Total	**493,166**	**582,880**

The Rupiah balance includes the cash amount in ATMs (Automatic Teller Machine) amounting to Rp 67,498 as of December 31, 2004 (2003: Rp 60,332).

5. Current Accounts with Bank Indonesia

	2004 Rp	2003 Rp
Rupiah	1,640,106	1,132,370
Foreign Currency		
United States Dollar	125,880	139,641
Total	**1,765,986**	**1,272,011**

In year 2003, the Bank is required to comply with Bank Indonesia's minimum reserve requirements (GWM) of 5% dan 3% for Rupiah and foreign currency denominated deposit liabilities, respectively.

In year 2004, Bank Indonesia has issued the Bank Indonesia's Regulation (PBI) No. 6/15/PBI/2004 dated June 28, 2004, that requires the Bank to fulfil the GWM in Rupiah with certain portion from deposit liabilities in Rupiah. PBI also requires the Bank to fulfill the GWM in foreign currency denomination of 3% from foreign currency denominated deposit liabilities.

In year 2004, the Bank has fulfill the GWM in Rupiah of 7% and in foreign currency denomination of 3%.

Based on SE BI No. 6/26/DPNP dated June 30, 2004, Bank Indonesia has arranged the interest income compensation for the Bank for the increased percentage of GWM related to the obligation to maintain the additional GWM. The interest income is recorded in interest income - others (see Note 25).

The Bank's minimum reserve requirements as of December 31, 2004 and 2003, respectively are as follows:

	2004 (%)	2003 (%)
Rupiah	7.34	5.48
Foreign Currency	3.01	3.03

6. Current Accounts with Other Banks

	2004 Rp	2003 Rp
Rupiah	12,803	45,774
Foreign Currencies		
United States Dollar	69,783	230,811
Yen	14,964	22,856
Euro	14,249	34,192
Singapore Dollar	10,067	21,723
Australian Dollar	2,560	4,454
Canadian Dollar	2,475	363
Hongkong Dollar	1,786	2,270
Pound Sterling	777	613
Swiss Franc	363	902
New Zealand Dollar	137	2,202
Total	129,964	366,160
Less: Allowance for Possible Losses	(1,300)	(3,662)
Net	**128,664**	**362,498**

The collectibility of all current accounts with other banks as of December 31, 2004 and 2003 are classified as current.

The changes in the allowance for possible losses are as follows :

	2004 Rp	2003 Rp
Balance at Beginning of Year	3,662	1,524
Provision (Reversal) During the Year	(2,362)	2,138
Balance at End of Year	**1,300**	**3,662**

Management believes that the above allowance for possible losses is adequate to cover possible losses, which might arise from uncollectible current accounts with other banks.

7. Placements with Other Banks

		2004			
Type of Placements	**Period**	**Average Annual Interest Rate (%)**	**Related Parties Rp**	**Third Parties Rp**	**Total Rp**
Rupiah					
Call Money	4 days and 12 months	1.75	--	118,000	118,000
Sub Total			--	118,000	118,000
Foreign Currencies					
Call Money					
United States Dollar	4 - 458 days	1.47	55,710	1,657,373	1,713,083
Singapore Dollar	30 - 33 days	0.85	--	187,764	187,764
Euro	4 days	1.96	--	50,640	50,640

Type of Placements	Period	2004 Average Annual Interest Rate (%)	Related Parties Rp	Third Parties Rp	Total Rp
Deposits					
United States Dollar	31 - 354 days	1.42	--	75,766	75,766
Participation					
United States Dollar	31 - 111 days	2.22	--	58,435	58,435
Sub Total			55,710	2,029,978	2,085,688
Total			55,710	2,147,978	2,203,688
Less: Allowance for Possible Losses			(557)	(113,048)	(113,605)
Total			**55,153**	**2,034,930**	**2,090,083**

Type of Placements	Period	2003 Average Annual Interest Rate (%)	Third Parties Rp	Total Rp
Rupiah				
Call Money	> 12 months	1.78	88,000	88,000
Sub Total			88,000	88,000
Foreign Currencies				
Call Money				
United States Dollar	3 - 91 days	1.12	2,274,750	2,274,750
Singapore Dollar	31 - 91 days	0.56	178,713	178,713
Deposits				
United States Dollar	90 - 365 days	1.12	68,748	68,748
Sub Total			2,522,211	2,522,211
Total			2,610,211	2,610,211
Less: Allowance for Possible Losses			(113,226)	(113,226)
Total			**2,496,985**	**2,496,985**

Call money in Rupiah includes placement amounting to Rp 88,000 in PT Bank Indonesia Raya Tbk (BIRA), one of the 38 (thirty eight) liquidated banks as announced by Bank Indonesia on March 13, 1999. Subsequently, all administration of BIRA was taken over by the Indonesian Bank Restructuring Agency (IBRA). The Bank's placement in BIRA is guaranteed by the Government based on Presidential Decree No. 26 dated January 26, 1998 and the Decree of the Minister of Finance No. 28/KMK.017/1998 dated January 28, 1998 which was superseded by the Decree of the Minister of Finance No. 179/KMK.017/2000 issued on May 26, 2000.

However, based on IBRA's letter No. S-486/PKB/BPPN/0703 dated July 29, 2003, Bank's claim on placement in BIRA amounting to Rp 88,000 was not eligible, therefore the claim cannot be paid in the scheme of Government Guarantee Program. This is in accordance with Executive Committee of IBRA's Decree No.PB-677/BPPN/0600 dated June 26, 2000. Due to this condition, the allowance for possible losses for placement in BIRA had been fully provided.

As of December 31, 2004, the placement in participation represents collateral for risk participation transaction.

Placements with other banks as of December 31, 2004 and 2003 classified according to remaining period to maturity are as follows:

Type of Placement	2004				
	< = 1 month Rp	> 1 - 3 months Rp	> 3 - 12 months Rp	> 12 months Rp	Total Rp
Rupiah					
Call Money	30,000	--	--	88,000	118,000
Sub Total	30,000	--	--	88,000	118,000
Foreign Currencies					
Call Money					
United States Dollar	784,583	324,975	603,525	--	1,713,083
Singapore Dollar	187,764	--	--	--	187,764
Euro	50,640	--	--	--	50,640
Deposits					
United States Dollar	74,280	--	1,486	--	75,766
Participation					
United States Dollar	30,093	28,342	--	--	58,435
Sub Total	1,127,360	353,317	605,011	--	2,085,688
Total	**1,157,360**	**353,317**	**605,011**	**88,000**	**2,203,688**

Type of Placement	2003				
	< = 1 month Rp	> 1 - 3 months Rp	> 3 - 12 months Rp	> 12 months Rp	Total Rp
Rupiah					
Call Money	--	--	--	88,000	88,000
Sub Total	--	--	--	88,000	88,000
Foreign Currencies					
Call Money					
United States Dollar	1,786,100	488,650	--	--	2,274,750
Singapore Dollar	104,250	74,463	--	--	178,713
Deposits					
United States Dollar	--	67,400	1,348	--	68,748
Sub Total	1,890,350	630,513	1,348	--	2,522,211
Total	**1,890,350**	**630,513**	**1,348**	**88,000**	**2,610,211**

The changes in the allowance for possible losses are as follows:

	2004 Rp	2003 Rp
Balance at Beginning of Year	113,226	82,396
Provision (Reversal) During the Year	(2,296)	37,244
Effect of Changes in Foreign Exchange Rates on Foreign Currency Denominated Allowance	2,675	(6,414)
Balance at End of Year	**113,605**	**113,226**

The allowance for possible losses consists of 100% of specific reserve on the placement with BIRA and 1% of general reserve on other accounts in compliance with Bank Indonesia's regulations.

Management believes that the above allowance for possible losses is adequate to cover possible losses, which might arise from uncollectible placements with other banks.

8. Securities

	Average Annual Interest Rate			
	2004 (%)	2003 (%)	2004 Rp	2003 Rp
Rupiah				
Held - to - Maturity				
Certificates of Bank Indonesia	7.46	10.13	6,897,573	7,720,100
Unamortized Premium (Discount)			(14,011)	(21,460)
Net			6,883,562	7,698,640
Other Bonds	12.66	13.82	20,000	15,000
Unamortized Premium (Discount)			(98)	(382)
Net			19,902	14,618
Negotiable Export Draft	11.93	14.68	380	613
Unamortized Premium (Discount)			--	--
Net			380	613
Total Held - to - Maturity Securities			**6,903,844**	**7,713,871**
Available - for - Sale				
Other Bonds	10.75	--	20,000	--
Unrealized Gain (Loss) on Increase (Decrease) in Value			--	--
Fair Value			20,000	--
Total Available - for - Sale Securities			**20,000**	**--**
Total Securities - Rupiah			**6,923,844**	**7,713,871**
United States Dollar				
Held - to - Maturity				
Promissory Notes	4.15	3.12	199,024	354,609
Unamortized Premium (Discount)			130	(2,118)
Net			199,154	352,491
Floating Rate Notes	5.01	4.91	126,276	318,740
Unamortized Premium (Discount)			(846)	(52,359)
Net			125,430	266,381
Medium Term Notes	7.00	5.25	79,851	111,210
Unamortized Premium (Discount)			1,619	3,277
Net			81,470	114,487
Bonds	7.01	4.53	626,737	25,275
Unamortized Premium (Discount)			(25,004)	--
Net			601,733	25,275
Negotiable Export Draft	8.00	8.00	28,240	21,468
Unamortized Premium (Discount)			--	--
Net			28,240	21,468
Total Held - to - Maturity Securities			**1,036,027**	**780,102**

	Average Annual Interest Rate			
	2004 (%)	2003 (%)	2004 Rp	2003 Rp
Available - for - Sale				
Other Bonds	7.73	10.00	27,855	24,293
Unrealized Gain (Loss) on Increase (Decrease) in Value			1,462	(3,644)
Fair Value			29,317	20,649
Medium Term Notes	6.71	7.76	44,167	50,550
Unrealized Gain (Loss) on Increase (Decrease) in Value			(1,634)	2,990
Fair Value			42,533	53,540
Total Available - for - Sale			**71,850**	**74,189**
Total Securities - United States Dollar			**1,107,877**	**854,291**
Total Securities			**8,031,721**	**8,568,162**
Less: Allowance for Possible Losses			(221,256)	(247,962)
Total Securities - Net			**7,810,465**	**8,320,200**

The original maturities of the above securities are as follows:

	2004 Rp	2003 Rp
Rupiah		
Certificates of Bank Indonesia	7 - 28 days	3 - 91 days
Bonds	4 months - 10 years	6 - 19 months
Negotiable Export Draft	3 - 4 months	19 days - 3 months
United States Dollar		
Promissory Notes	5 months - 3 years	2 - 3 years
Medium Term Notes	4 - 5 years	4 - 5 years
Floating Rate Notes	3 - 4 years	3 - 4 years
Bonds	2 - 10 years	2 years
Negotiable Export Draft	9 days - 9 months	2 days - 6 months

Securities classified according to issuers and rating of bond are as follows:

Name of Issuer	Rating 2004	Rating 2003	2004 Rp	2003 Rp
Rupiah				
Bonds				
District-owned Enterprises				
Bank DKI	--	BBB- *)	--	9,904
Other Companies				
PT Indofood Sukses Makmur Tbk	idAA *)	AA+ *)	4,902	4,714
PT Bank Buana Indonesia	idBBB+ *)	--	15,000	--
HM Sampoerna	idAA+ *)	--	20,000	--
Total Bonds			39,902	14,618

Name of Issuer	Rating 2004	Rating 2003	2004 Rp	2003 Rp
Other Bonds				
Bank Indonesia	--	--	6,883,562	7,698,640
Other Companies	--	--	380	613
Total Other Bonds			6,883,942	7,699,253
Total Securities - Rupiah			**6,923,844**	**7,713,871**
United States Dollar				
Bonds				
Republic of Indonesia	--	--	434,173	--
Stated-owned Enterprises				
PT Pelindo Indonesia	--	--	13,865	20,649
Other Companies				
PT Indofood Sukses Makmur Tbk	B **)	B **)	9,401	67,919
PT Tjiwi Kimia	D *)	D *)	27,855	25,275
Bahana Pembinaan Usaha Indonesia	--	--	169,022	153,367
Total Bonds			654,316	267,210
Promissory Notes				
Stated-owned Enterprises				
PT Bank Mandiri (Persero) Tbk	B **)	B **)	150,172	190,011
PT Bank Rakyat Indonesia Tbk	B **)	CCC **)	13,938	52,736
PT Bank Negara Indonesia Tbk	B **)	B **)	35,044	61,371
Other Companies				
PT Telkomsel Tbk	--	--	--	48,373
Total Promissory Notes			199,154	352,491
Medium Term Notes				
Stated-owned Enterprises				
PT Bank Mandiri (Persero) Tbk	B **)	B **)	100,737	91,304
PT Bank Negara Indonesia Tbk	--	CCC **)	--	8,804
Total Medium Term Notes			100,737	100,108
Floating Rate Notes				
Stated-owned Enterprises				
PT Bank Mandiri (Persero) Tbk	B **)	B **)	125,430	72,092
Other Companies				
PT Astra Internasional Tbk	--	--	--	40,922
Total Floating Rate Notes			125,430	113,014
Other Securities				
Other Companies	--	--	28,240	21,468
Total Other Securities			28,240	21,468
Total Securities - United States Dollar			**1,107,877**	**854,291**
Total Securities			**8,031,721**	**8,568,162**
Less: Allowance for Possible Losses			(221,256)	(247,962)
Total Securities - Net			**7,810,465**	**8,320,200**

*) *Pefindo*
**) *Standard and Poor (S&P)*

As of December 31, 2004 dan 2003, the fair value of available-for-sale securities and the cost net of amortization of discount or premium of held-to-maturity securities, classified according to remaining periods to maturity are as follows:

Type of Securities	2004					
	< = 1 month Rp	> 1 - 3 months Rp	> 3 -12 months Rp	> 1 - 5 years Rp	> 5 years Rp	Total Rp
Available - for - Sale						
Fair Value						
Rupiah	--	--	--	20,000	--	20,000
United States Dollar	--	--	--	71,850	--	71,850
Sub Total	--	--	--	91,850	--	91,850
Held - to - Maturity						
Cost net of amortization						
Rupiah	6,883,781	161	4,902	--	15,000	6,903,844
United States Dollar	210,541	3,309	292,073	217,298	312,806	1,036,027
Sub Total	7,094,322	3,470	296,975	217,298	327,806	7,939,871
Total	**7,094,322**	**3,470**	**296,975**	**309,148**	**327,806**	**8,031,721**

Type of Securities	2003					
	< = 1 month Rp	> 1 - 3 months Rp	> 3 -12 months Rp	> 1 - 5 years Rp	> 5 years Rp	Total Rp
Available - for - Sale						
Fair Value						
United States Dollar	--	--	--	65,385	8,804	74,189
Sub Total	--	--	--	65,385	8,804	74,189
Held - to - Maturity						
Cost net of amortization						
Rupiah	7,699,253	9,904	--	4,714	--	7,713,871
United States Dollar	63,314	8,115	321,777	--	386,896	780,102
Sub Total	7,762,567	18,019	321,777	4,714	386,896	8,493,973
Total	**7,762,567**	**18,019**	**321,777**	**70,099**	**395,700**	**8,568,162**

The collectibility of securities are as follows:

	2004 Rp	2003 Rp
Current	7,820,978	8,326,479
Loss	210,743	241,683
Total	8,031,721	8,568,162
Less: Allowance for Possible Losses	(221,256)	(247,962)
Total Securities - Net	**7,810,465**	**8,320,200**

The changes in the allowance for possible losses are as follows:

	2004 Rp	2003 Rp
Balance at Beginning of Year	247,962	365,257
Provision (Reversal) During the Year	(48,249)	(101,819)
Write off During the Year	(1,368)	--
Reclassification During the Year	516	--
Effect of Changes in Foreign Exchange Rates on Foreign Currency Denominated Allowance	22,395	(15,476)
Balance at End of Year	**221,256**	**247,962**

The allowance for possible losses represents 1% of general reserve on securities, excluding Certificates of Bank Indonesia, and 100% of specific reserves on certain securities classified as loss in compliance with Bank Indonesia's regulations.

Management believes that the above allowance for possible losses is adequate to cover possible losses, which might arise from uncollectible securities.

9. Securities Purchased under Resale Agreements

	2003				
Type	**Period**	**Maturity Date**	**Nominal Amount Rp**	**Unamortized Interest Rp**	**Net Value Rp**
Rupiah					
Government Bonds	31 days	June15, 2009	51,674	114	51,560
Less: Allowance for Possible Losses					(516)
Total					**51,044**

The collectibility of securities purchased under resale agreements as of December 31, 2003 was classified as current. The allowance for possible losses represents 1% of general reserve on securities purchased under resale agreements in compliance with Bank Indonesia's regulations.

Management believes that the above allowance for possible losses is adequate to cover possible losses, which might arise from uncollectible securities purchased under resale agreements.

10. Derivative Receivables and Payables

Transaction	2004 Fair Value of Contracts		2004 Derivative Receivables and Payables	
	Buy Rp	Sell Rp	Receivables Rp	Payables Rp
Third Parties				
Foreign Currency Forward	--	88,208	373	1,186
Less: Allowance for Possible Losses			(4)	--
Total	**--**	**88,208**	**369**	**1,186**

Transaction	2003 Fair Value of Contracts		2003 Derivative Receivables and Payables	
	Buy Rp	Sell Rp	Receivables Rp	Payables Rp
Third Parties				
Foreign Currency Forward	--	345,425	5,061	--
Less: Allowance for Possible Losses			(51)	--
Total	**--**	**345,425**	**5,010**	**--**

The collectibility of derivative receivables as of December 31, 2004 and 2003 are classified as current.

The changes in the allowance for possible losses are as follows:

	2004 Rp	2003 Rp
Balance at Beginning of Year	51	6
Provision (Reversal) During the Year	(47)	51
Effect of Changes in Foreign Exchange Rates on Foreign Currency Denominated Allowance	--	(6)
Balance at end of Year	**4**	**51**

Management believes that the above allowance for possible losses is adequate to cover possible losses, which might arise from uncollectible derivative receivables.

11. Loans

a. By Type of Loans

	2004					
	Current	Special Mention	Substandard	Doubtful	Loss	Total
	Rp	Rp	Rp	Rp	Rp	Rp
Rupiah						
Working Capital	2,645,515	67,183	4,521	2,148	77,567	2,796,934
Consumer	848,801	48,826	7,259	4,701	26,142	935,729
Investment	512,127	165,653	278	55	4,499	682,612
Export	185,695	5,699	--	--	656	192,050
Government Program	224	--	--	--	--	224
Loans to Directors and Employees	46,208	--	--	--	--	46,208
Sub Total	4,238,570	287,361	12,058	6,904	108,864	4,653,757
Foreign Currencies						
Working Capital	135,679	45,204	466	133,980	1,601	316,930
Investment	402,188	--	82,172	--	--	484,360
Export	103,659	23,785	2,428	21,289	9,285	160,446
Sub Total	641,526	68,989	85,066	155,269	10,886	961,736
	4,880,096	356,350	97,124	162,173	119,750	5,615,493
Less: Allowance for Possible Losses	(269,517)	(79,719)	(33,961)	(100,094)	(119,750)	(603,041)
Total	**4,610,579**	**276,631**	**63,163**	**62,079**	**--**	**5,012,452**

	2003					
	Current	Special Mention	Substandard	Doubtful	Loss	Total
	Rp	Rp	Rp	Rp	Rp	Rp
Rupiah						
Working Capital	1,516,499	78,370	4,288	1,360	219,531	1,820,048
Consumer	506,492	56,941	9,096	4,368	26,046	602,943
Investment	422,661	317,788	3,327	1,125	7,442	752,343
Export	137,928	18,227	74	35	552	156,816
Government Program	502	--	35	--	--	537
Loans to Directors and Employees	30,577	--	--	--	--	30,577
Sub Total	2,614,659	471,326	16,820	6,888	253,571	3,363,264
Foreign Currencies						
Working Capital	73,306	154,786	--	--	24,282	252,374
Investment	756,096	100,041	17,245	--	35,292	908,674
Export	89,126	67,254	--	--	65,340	221,720
Sub Total	918,528	322,081	17,245	--	124,914	1,382,768
	3,533,187	793,407	34,065	6,888	378,485	4,746,032
Less: Allowance for Possible Losses	(132,513)	(194,828)	(10,083)	(2,324)	(378,485)	(718,233)
Total	**3,400,674**	**598,579**	**23,982**	**4,564**	**--**	**4,027,799**

b. By Economic Sector

	2004					
	Current	Special Mention	Substandard	Doubtful	Loss	Total
	Rp	Rp	Rp	Rp	Rp	Rp
Rupiah						
Manufacturing	1,219,033	9,466	625	--	62,291	1,291,415
General Trading and Administration	1,041,266	8,293	3,405	1,157	11,709	1,065,830
Business Services	610,912	218,580	639	1,041	6,462	837,634
Construction	241,127	602	--	--	714	242,443
Transportation	145,064	214	--	--	142	145,420
Social Services	73,680	826	130	5	1,404	76,045
Agriculture	12,392	554	--	--	--	12,946
Mining	87	--	--	--	--	87
Others	895,009	48,826	7,259	4,701	26,142	981,937
Sub Total	4,238,570	287,361	12,058	6,904	108,864	4,653,757
Foreign Currency						
General Trading and Administration	316,823	24,560	82,172	18,080	--	441,635
Manufacturing	209,931	44,429	2,894	137,189	9,279	403,722
Business Services	58,263	--	--	--	1,607	59,870
Social Services	45,961	--	--	--	--	45,961
Agriculture	6,035	--	--	--	--	6,035
Transportation	4,513	--	--	--	--	4,513
Sub Total	641,526	68,989	85,066	155,269	10,886	961,736
Total	4,880,096	356,350	97,124	162,173	119,750	5,615,493
Less: Allowance for Possible Losses	(269,517)	(79,719)	(33,961)	(100,094)	(119,750)	(603,041)
Total	**4,610,579**	**276,631**	**63,163**	**62,079**	**--**	**5,012,452**

	2003					
	Current	Special Mention	Substandard	Doubtful	Loss	Total
	Rp	Rp	Rp	Rp	Rp	Rp
Rupiah						
Manufacturing	1,003,064	21,645	1,314	250	112,818	1,139,091
General Trading and Administration	800,401	13,468	3,565	1,161	14,855	833,450
Business Services	143,824	120,056	2,845	329	99,365	366,419
Construction	48,537	194,002	--	--	--	242,539
Transportation	32,101	65,035	--	--	177	97,313
Social Services	42,871	179	--	--	287	43,337
Agriculture	6,792	--	--	780	25	7,597
Others	537,069	56,941	9,096	4,368	26,044	633,518
Sub Total	2,614,659	471,326	16,820	6,888	253,571	3,363,264
Foreign Currency						
General Trading and Administration	464,175	121,692	16,766	--	96,845	699,478
Manufacturing	228,341	200,389	479	--	23,915	453,124
Transportation	112,768	--	--	--	--	112,768
Business Services	65,643	--	--	--	1,458	67,101
Social Business	42,125	--	--	--	--	42,125
Agriculture	5,476	--	--	--	2,696	8,172
Sub Total	918,528	322,081	17,245	--	124,914	1,382,768
Total	3,533,187	793,407	34,065	6,888	378,485	4,746,032
Less: Allowance for Possible Losses	(132,513)	(194,828)	(10,083)	(2,324)	(378,485)	(718,233)
Total	**3,400,674**	**598,579**	**23,982**	**4,564**	**--**	**4,027,799**

c. By Loan Periods

Loan Periods based on loan agreements are as follows:

	2004 Rp	2003 Rp
< = 1 year	439,780	437,980
> 1 - 2 years	2,012,015	913,215
> 2 - 5 years	1,662,321	2,072,673
> 5 years	1,501,377	1,322,164
	5,615,493	4,746,032
Less: Allowance for Possible Losses	(603,041)	(718,233)
Total	**5,012,452**	**4,027,799**

Loans based on remaining period from balance sheets date to maturity date are as follows:

	2004 Rp	2003 Rp
< = 1 years	2,861,648	2,387,389
> 1 - 2 years	540,351	431,662
> 2 - 5 years	1,579,691	1,420,045
> 5 years	633,803	506,936
	5,615,493	4,746,032
Less: Allowance for Possible Losses	(603,041)	(718,233)
Total	**5,012,452**	**4,027,799**

The loan risk classification based on credit classification prescribed by Bank Indonesia are as follows:

	2004		
	Loan Portfolio		Allowance for Possible Losses
Credit Risk Classification	(%)	Loan Amount Rp	Total Rp
Current	86.90	4,880,096	269,517
Special Mention	6.35	356,350	79,719
Substandard	1.73	97,124	33,961
Doubtful	2.89	162,173	100,094
Loss	2.13	119,750	119,750
Total	**100.00**	**5,615,493**	**603,041**

Credit Risk Classification	2003		
	Loan Portfolio		Allowance for Possible Losses
	(%)	Loan Amount Rp	Total Rp
Current	74.44	3,533,187	132,513
Special Mention	16.72	793,407	194,828
Substandard	0.72	34,065	10,083
Doubtful	0.15	6,888	2,324
Loss	7.97	378,485	378,485
Total	**100.00**	**4,746,032**	**718,233**

Other significant information related to loans are as follows:

a. The average annual interest rates for loans in Rupiah currency was 11.93% in year 2004 (2003: 14.68%), while loans in foreign currency denomination was 6.00% in year 2004 (2003: 6.97%).

b. Loans are secured by collaterals such as deposits, collaterals that are legalized by deed of encumbrance or power of attorney to sell/to encumbrance or other collaterals that are acceptable by the Bank.

c. Fixed loans consist of working capital, investments and consumer loans. Loans for working capital and investments include long-term, fixed, revolving and discounted loans, while consumer loans include housing, car and other consumer loans.

   Fixed, demand and other loans in Rupiah currency have terms ranging from 1(one) year to 15 (fifteen) years, while those in foreign currency denomination have terms ranging from 1 (one) years to 9 (nine) years. Syndicated loans have terms of 4 (four) years for Rupiah currency and 1 (one) to 8 (eight) years for foreign currency denomination.

d. Loans to customers under syndication agreements with other banks (syndicated loans) amounting to Rp 204,395 as of December 31, 2004 (2003: Rp 315,251). The Bank's percentage of participation as a member in syndicated loans ranges from 1.40% to 3.64% in 2004 (2003: 1.25% to 25.25%).

e. Loans to Directors and Employees, substantially represent loans with average interest rate up to 6.00% per annum for purchases of cars, houses and other personal necessities, with maturity periods ranging from 1 (one) to 15 (fifteen) years. The payments are deducted from monthly salary.

f. Loans to the related parties before allowance for possible losses amounting to Rp 119,769 as of December 31, 2004 (2003: Rp 149,244); after allowance for possible losses as of December 31, 2004 amounting to Rp 117,081 (2003: Rp 145,122) (see Notes 32).

   These loans consist of working capital and investment loans with maturities of 1 (one) to 5 (five) years at average interest rates of 14.00% for loans in Rupiah currency and of 6.00% for loans in foreign currency denomination.

g. Restructured loans is amounting to Rp 710,059 as of December 31, 2004 (2003: Rp 964,695) and loans in the process of being restructured amounting to Rp 82,761 as of December 31, 2004 (2003: Rp 3,416). These loans are restructured through asset settlement and/or modification of terms.

h. As of December 31, 2004 and 2003, the Company did not violate or exceed the Legal Lending Limit (LLL) requirement.

i. The Bank's Non Performing Loans (NPL) Ratio-Net as of December 31, 2004 is 2.23% (2003: 0.60%), meanwhile Bank's NPL - Gross as of December 31, 2004 is 6.75% (2003: 8.80%).

j. Loans purchased from the Indonesian Bank Restructuring Agency (IBRA) were amounting to Rp 502,247 through participation agreements with PT Batavia Prosperindo Sekuritas, PT Gani Aset Manajemen, PT Bhinneka Makmur Investama and PT Paramitra Alfa Sekuritas (bidders of certain debts held and offered for sale by IBRA) in 2002. The bidders do not have financial and ownership relations with the Bank. As of December 31, 2004, allowance for possible losses relating to these loans amounted to Rp 7,143 (2003: Rp 11,738).

A summary of changes in the balance of the loans purchased from IBRA since the purchase date to the balance sheets date is as follows:

	2004 Rp	2003 Rp
Balance as of Purchase Date	502,247	502,247
Paid Off During the Year	(158,742)	(27,500)
Collections until Balance Sheets Date	(60,979)	(55,180)
Effect of Changes in Foreign Exchange Rates on Foreign Currency Denominated Loans	(44,433)	(28,286)
Balance at End of Year	**238,093**	**391,281**

Interest income and others income from loans purchased from IBRA in 2004 amounting to Rp 27,563 (2003: Rp 38.842). For the year ended December 31, 2004, accumulated interest and other income from purchased date amounted to Rp 84,406.

Additional loans given to borrowers whose have loans purchased from IBRA amounting to Rp 26,530 as of December 31, 2004 (2003: Rp 29,977).

Based on Bank Indonesia's Regulation No. 4/7/PBI/2002 dated September 27, 2002, the collectibility of loans purchased from IBRA will be classified as current for a 1 (one) year period from the purchase date.

In year 2004, the determination of the quality of loans purchased from IBRA is based on Decree of the Director of Bank Indonesia No. 31/147/KEP/DIR dated November 12, 1998.

k. The changes in the allowance for possible losses are as follows:

	2004 Rp	2003 Rp
Balance at Beginning of Year	718,233	692,048
Provision During the Year	30,829	155,335
Recovery During the Year	22,932	18,140
Write off for the Year	(198,172)	(131,059)
Effect of Changes in Foreign Exchange Rates on Foreign Currency Denominated Allowance	29,219	(16,231)
Balance at end of Year	**603,041**	**718,233**

Management believes that the above allowance for possible losses is adequate to cover possible losses, which might arise from uncollectible loans.

l. The changes in the balance of loans that have written off are as follows:

	2004			2003		
	Rupiah Rp	Foreign Currencies Rp	Total Rp	Rupiah Rp	Foreign Currencies Rp	Total Rp
Balance at Beginning of Year	75,070	739,947	815,017	79,188	630,032	709,220
Reversal of Loans Previously Written - Off	(17,942)	(1,534)	(19,476)	(1,152)	(2,998)	(4,150)
Additions During the Year	64,941	123,983	188,924	199	119,959	120,158
Write - Off for the Year	--	--	--	(3,165)	(7,046)	(10,211)
Balance at End of Year	**122,069**	**862,396**	**984,465**	**75,070**	**739,947**	**815,017**

12. Acceptance Receivables and Payables

	2004 Rp	2003 Rp
Acceptance Receivables		
Rupiah	429	2,659
Foreign Currencies		
United States Dollar	33,605	46,088
Euro	1,651	1,348
Yen	--	472
Total	35,685	50,567
Less: Allowance for Possible Losses	(1,485)	(1,656)
Total	**34,200**	**48,911**
Acceptance Payables		
Rupiah	429	2,659
Foreign Currencies		
United States Dollar	33,605	47,908
Euro	1,651	--
Total	**35,685**	**50,567**

The acceptance receivables and payables classified according to term are as follows:

	2004 Rp	2003 Rp
Rupiah		
> 1 - 3 months	429	1,501
> 3 - 6 months	--	1,158
Sub Total	429	2,659
Foreign Currencies		
< 1 months	1,192	2,086
> 1 - 3 months	12,616	17,939
> 3 - 6 months	21,448	27,883
Sub Total	35,256	47,908
Total	**35,685**	**50,567**

The acceptance receivables and payables classified according to remaining period to maturity are as follows:

	2004 Rp	2003 Rp
Rupiah		
< 1 months	59	1,791
> 1 - 3 months	370	868
Sub Total	429	2,659
Foreign Currencies		
< 1 months	12,145	15,035
> 1 - 3 months	16,899	22,531
> 3 - 6 months	6,212	10,342
Sub Total	35,256	47,908
Total	**35,685**	**50,567**

The collectibility of acceptance receivables are as follows:

	2004 Rp	2003 Rp
Current		
Rupiah	429	2,659
Foreign Currencies	33,496	41,950
Sub Total	33,925	44,609
Special Mention		
Foreign Currencies	1,760	5,958
Sub Total	1,760	5,958
Total	**35,685**	**50,567**

The changes in allowance for possible losses are as follows:

	2004 Rp	2003 Rp
Balance at Beginning of Year	1,656	633
Provision(Reversal) During the Year	(232)	1,518
Effects of Changes in Foreign Exchange Rates on Foreign Currency Denominated Allowance	61	(495)
Balance at End of Year	**1,485**	**1,656**

Management believes that the above allowance for possible losses is adequate to cover possible losses, which might arise from uncollectible acceptance receivables.

13. Government Bonds

	2004 Rp	2003 Rp
Held - to - Maturity		
Fixed Rate Bonds		
Nominal	558,000	619,936
Unamortized Premium (Discount)	--	--
Net	558,000	619,936
Variable Rate Bonds		
Nominal	4,433,969	4,495,291
Unamortized Premium (Discount)	--	--
Net	4,433,969	4,495,291
Total Held - to - Maturity	**4,991,969**	**5,115,227**
Available - for - Sale		
Fixed Rate Bonds		
Nominal	1,472,000	--
Unrealized Gain (Loss) on Increase (Decrease) in Value	74,139	--
Fair Value	1,546,139	--
Total Available - for - Sale	**1,546,139**	**--**
Trading		
Fixed Rate Bonds		
Nominal	373,000	2,000
Unrealized Gain (Loss) on Increase (Decrease) in Value	27,530	(137)
Fair Value	400,530	1,863
Variable Rate Bonds		
Nominal	55,000	504,000
Unrealized Gain (Loss) on Increase (Decrease) in Value	(502)	(3,645)
Fair Value	54,498	500,355
Total Trading	**455,028**	**502,218**
Total Government Bonds	**6,993,136**	**5,617,445**

Fixed rate bonds have average annual interest rates of 12.99% in 2004 (2003: 13.60%). These bonds will mature on February 15, 2006 up to January 15, 2012.

Variable rate bonds have average annual interest at floating rates of 7.56% in 2004 (2003: 10.55%). These bonds will mature on March 25, 2006 up to June 25, 2011.

14. Investments in Shares of Stock

	Nature of Business	2004 Percentage of Ownership (%)	2004 Nominal Rp	2003 Percentage of Ownership (%)	2003 Nominal Rp
Related Parties					
Equity Method					
PT Ciptadana Asset Management (d/h PT Lippo Investment Management)					
Acquisition Cost			--		2,200
Accumulated Equity in Net Losses		--	--	20	(2,200)
Sub Total			--		--
Cost Method					
PT Bank Syariah Muamalat Indonesia Tbk	Banking	0.28	1,000	0.28	1,000
PT Sarana Jatim Ventura	Venture Capital	5.81	500	7.61	500
PT Sarana Yogya Ventura	Venture Capital	5.23	300	5.23	300
PT Sarana Sumbar Ventura	Venture Capital	5.66	250	5.70	250
PT Sarana Bali Ventura	Venture Capital	5.02	250	5.02	250
PT Sarana Sulsel Ventura	Venture Capital	4.71	250	4.71	250
PT Sarana Sumsel Ventura	Venture Capital	3.58	250	3.58	250
PT Sarana Jateng Ventura	Venture Capital	3.49	250	6.23	250
PT Bhakti Sarana Ventura	Venture Capital	2.71	225	2.71	225
PT Sarana Papua Ventura	Venture Capital	5.63	200	5.63	200
PT Sarana Lampung Ventura	Venture Capital	3.27	150	3.16	150
PT Sarana Surakarta Ventura	Venture Capital	2.63	150	2.63	150
PT Sarana Kalbar Ventura	Venture Capital	2.85	100	2.85	100
PT Sarana Sulut Ventura	Venture Capital	2.85	100	2.85	100
PT Sarana Maluku Ventura	Venture Capital	2.81	100	2.81	100
PT Sarana Jambi Ventura	Venture Capital	2.27	100	2.27	100
PT Sarana Riau Ventura	Venture Capital	1.37	100	1.75	100
PT Sarana Aceh Ventura	Venture Capital	1.72	100	1.72	100
Others (cost of each investment is Rp 100 or below)	Venture Capital/ Financing	0.06 - 1.18	89	0.06 - 1.18	89
Sub Total			4,464		4,464
Total			4,464		4,464
Less: Allowance for Possible Losses			(618)		(314)
Net			**3,846**		**4,150**

Investment in shares of stock of PT Ciptadana Asset Management was sold to PT Giat Utama Sukses on May 17, 2004 , for the amount of Rp 50. The sales income was recorded as non operating income-others (see Note 30).

Total cash dividends received from certain investments under the cost method was amounting to Rp 149 in 2004 (2003: Rp 303). The dividend income was recorded as other operating income.

The collectibility of investments in shares of stock are as follows:

	2004 Rp	2003 Rp
Current	3,565	4,040
Substandard	225	--
Doubtful	250	300
Loss	424	124
Total	4,464	4,464
Less: Allowance for Possible Losses	(618)	(314)
Total	**3,846**	**4,150**

The changes in allowance for possible losses are as follows:

	2004 Rp	2003 Rp
Balance at Beginning of Year	314	1,140
Provision (Reversal) During the Year	304	(826)
Balance at End of Year	**618**	**314**

Management believes that the above allowance for possible losses is adequate to cover possible losses, which might arise from uncollectible investments in shares of stock.

15. Fixed Assets

	2004				
	Beginning Balance Rp	Additions Rp	Deductions Rp	Reclassifications Rp	Ending Balance Rp
Carrying Value:					
Landrights	246,418	9,377	--	406	256,201
Buildings	464,204	2,809	927	1,487	467,573
Building Improvements and Installations	189,541	8,312	5,143	(2,161)	190,549
Office Machines	785,747	74,306	4,136	(455)	855,462
Office Furniture and Equipment	71,111	7,588	1,745	723	77,677
Vehicles	7,869	136	547	--	7,458
	1,764,890	102,528	12,498	--	1,854,920
Leasing					
Office Machines	--	10,733	--	--	10,733
	1,764,890	113,261	12,498	--	1,865,653
Accumulated Depreciation:					
Buildings	112,488	23,212	451	87	135,336
Building Improvements and Installations	134,959	15,441	3,621	(315)	146,464
Office Machines	631,645	66,963	3,381	(297)	694,930
Office Furniture and Equipment	58,658	4,762	1,672	525	62,273
Vehicles	5,806	793	346	--	6,253
	943,556	111,171	9,471	--	1,045,256
Leasing					
Office Machines	--	2,147	--	--	2,147
	943,556	113,318	9,471	--	1,047,403
Net Book Value	**821,334**				**818,250**

	2003				
	Beginning Balance	Additions	Deductions	Reclassifications	Ending Balance
	Rp	Rp	Rp	Rp	Rp
Carrying Value :					
Landrights	244,556	6,089	120	(4,107)	246,418
Buildings	443,845	16,565	313	4,107	464,204
Building Improvements and Installations	176,693	17,019	3,600	(571)	189,541
Office Machines	770,115	18,928	2,790	(506)	785,747
Office Furniture and Equipment	65,819	5,219	1,004	1,077	71,111
Vehicles	9,303	109	1,543	--	7,869
	1,710,331	63,929	9,370	--	1,764,890
Accumulated Depreciation::					
Buildings	89,941	22,727	238	58	112,488
Building Improvements and Installations	121,036	16,590	2,216	(451)	134,959
Office Machines	510,656	123,706	2,445	(272)	631,645
Office Furniture and Equipment	54,688	4,773	1,461	658	58,658
Vehicles	6,202	935	1,338	7	5,806
	782,523	168,731	7,698	--	943,556
Net Book Value	**927,808**				**821,334**

The landrights are under the Bank's name and have expiry dates ranging from April 2005 until August 2031. Management believes that the landrights will be renewed by the Government when they expire.

Depreciation charged to general and administration expenses amounted to Rp 113,318 in year 2004 (2003: Rp 168,731) (see Note 28).

The fixed assets have been insured to PT Lippo General Insurance Tbk for a total insurance coverage of Rp 1,518,750 for the period from November 30, 2004 until November 30, 2005. Management believes that the insurance coverage is sufficient to cover any possible losses.

Landrights, buildings and certain office machines were revalued as of December 31, 1998 in accordance with the Ministry of Finance Decree No. 384/KMK.04/1998 dated August 14, 1998. The revaluation has been approved by the tax authority in its letter No. KEP-022/WPJ.06/KP.0404/1999 dated May 31, 1999 and the revaluation increment is Rp 633,300.

Based on the review of the individual fixed asset at the end of the year, Management is in the opinion that no provision for decline in value of fixed assets is necessary as of December 31, 2004 in accordance with SFAS No. 48.

16. Foreclosed Assets

a. Several loans granted by the Bank have had to be restructured or written off or have resulted in foreclosure of assets, particularly during the economic crisis which started in 1997. Assets foreclosed in settlement of loans are included under "Foreclosed Assets" account. The movements in this account are as follows:

	2004			
	Beginning Balance Rp	Additions Rp	Deductions Rp	Ending Balance Rp
Carrying Value:				
Properties	2,287,496	15,621	178,362	2,124,755
Securities	351,064	41,000	212,876	179,188
Total	2,638,560	56,621	391,238	2,303,943
Less: Allowance for Possible Losses	(321,657)			(165,234)
Book Value	**2,316,903**			**2,138,709**

	2003			
	Beginning Balance Rp	Additions Rp	Deductions Rp	Ending Balance Rp
Carrying Value:				
Properties	2,284,626	5,552	2,682	2,287,496
Securities	351,064	--	--	351,064
Total	2,635,690	5,552	2,682	2,638,560
Less: Allowance for Possible Losses	(321,657)			(321,657)
Book Value	**2,314,033**			**2,316,903**

For the year ended on December 31, 2004, the Foreclosed Assets have been appraised by Independent Appraiser, which as set forth in its report dated January 3, 2005, the market value of the foreclosed assets is Rp 2,164,349 and the liquidation value is Rp 1,018,746. The market value represents 98.96% of total market value of Bank's foreclosed assets of Rp 2,187,124.

The gain on sales of foreclosed assets in year 2004 is amounting to Rp 15,555 which represents realization of sales of Rp 218,315 with book value of Rp 202,760. The sales of foreclosed assets were conducted after the Extraordinary Stockholder's General Meeting on June 29, 2004 (see Note 43.a.).

b. As of December 31, 2004, the foreclosed assets principally consist of properties and securities. Assets foreclosed in settlement of loans consist of residential, commercial and industrial properties which are located mainly in Jakarta, Tangerang, Bekasi, Karawang, Ujung Pandang, Bogor, Serang, Bandung, Surabaya and Purwakarta. Securities include shares in PT Bukit Sentul Tbk , PT Lippo Karawaci Tbk, PT Lippo Cikarang Tbk, PT Lippo Securities Tbk, PT Semen Cibinong Tbk, PT Bakrieland Development Tbk, PT Duta Anggada Realty Tbk, PT Citatah Tbk, and PT Panin Insurance Tbk.

c. Certain foreclosed assets are managed by several third parties under joint operations agreements between the Bank and such parties. For the year ended on December 31, 2004, the Bank has recorded its shares in the earnings of these foreclosed assets amounting to Rp 37,016 (2002 : Rp 36,742) as other operational income - others.

d. In year 2002, the Bank had filed a claim against National Land Agency (*Badan Pertanahan Nasional* or "BPN"), South Jakarta through the State Administrative Court (*Pengadilan Tata Usaha Negara* or "PTUN") regarding litigation case of foreclosed assets for land in North Cipete, with landrights certificate No. 551. BPN had issued another certificate with the same certificate number, and the Bank has taken legal action for cancelling the later issued certificate.

At the first stage, the Bank's legal action had been approved by PTUN based on PTUN's Decree No. 218/G.TUN/2002/PTUN/JKT dated March 10, 2003. In the next stage, the previous PTUN's decision was overruled by the State Administrative of High Court (*Pengadilan Tinggi Tata Usaha Negara* on "PT TUN") based on PT TUN's Decree No. 70/B/2003/PT.TUN.JKT dated May 19, 2003. Therefore, the Bank has appealed to Supreme Court with registered case No. 375K/TUN/2003 dated June 16, 2003. As of December 31, 2004, the result of the appeal on land with Tax Object Sales Value amounting to Rp 11,232 is still in process.

e. In accordance with the resolution of the Extraordinary Stockholders' General Meeting held on May 5, 2003, the Bank may not sell foreclosed assets unless comply with specific requirements. In year 2004, in accordance to the resolution of the Extraordinary Stockholders' General Meeting as legalized by notarial deed No. 76 of Ny. Poerbaningsih Adi Warsito, SH, dated June 29, 2004, the Bank's stockholders have approved a new policy regarding the sales of assets that includes the sales of foreclosed assets, Non Performing Loans and other assets, as long as, those sales are conducted according to the prevailing regulation and Bank's Article of Association (see Note 43.a).

f. The changes in the allowance for possible losses for foreclosed assets are as follows:

	2004 Rp	2003 Rp
Beginning Balance of the Year	321,657	321,657
Additions During the Year	32,056	--
Deductions During the Year	(188,479)	--
Ending Balance of the Year	**165,234**	**321,657**

17. Liabilities Payable Immediately

	2004 Rp	2003 Rp
Transfer Deposits	48,614	103,973
Merchant Deposits	34,268	25,758
Visa Card Deposits	18,744	24,719
General Deposits	12,066	35,616
Personnel Deposits	2,668	21,596
Alto Deposits	2,326	3,051
Master Card Deposits	2,029	3,279
Others	23,679	56,335
Total	**144,394**	**274,327**

18. Deposits from Customers

	2004			2003		
	Third Parties Rp	Related Parties Rp	Total Rp	Third Parties Rp	Related Parties Rp	Total Rp
Demand Deposits	7,977,758	104,870	8,082,628	7,952,072	67,080	8,019,152
Savings Deposits	10,801,010	10,648	10,811,658	9,097,062	6,206	9,103,268
Time Deposits	5,787,530	170,669	5,958,199	6,451,028	209,726	6,660,754
Certificates of Deposits	--	--	--	5,493	--	5,493
Total	**24,566,298**	**286,187**	**24,852,485**	**23,505,655**	**283,012**	**23,788,667**

a. Balance of demand deposits, savings deposits and time deposits that are placed on 'hold' notice are as follows:

	2004 Rp	2003 Rp
Demand Deposits	10,971	37,722
Savings Deposits	10,647	19,119
Time Deposits	680,088	820,701

b. Demand Deposits are as follows:

	2004 Rp	2003 Rp
Third Parties		
Rupiah	4,964,477	4,403,636
Foreign Currencies		
United States Dollar	2,789,959	3,336,721
Singapore Dollar	179,570	182,598
Euro	32,225	19,168
Yen	10,880	9,439
Australian Dollar	647	510
Sub Total	7,977,758	7,952,072
Related Parties		
Rupiah	89,814	50,062
Foreign Currency		
United States Dollar	15,056	17,018
Sub Total	104,870	67,080
Total	**8,082,628**	**8,019,152**
Average Interest Rate per annum		
Rupiah	2.3%	2.9%
Foreign Currencies	0.9%	1.0%

c. Savings Deposits are as follows:

	2004 Rp	2003 Rp
Third Parties	10,801,010	9,097,062
Related parties	10,648	6,206
Total	**10,811,658**	**9,103,268**
Average Interest Rate per annum	4.2%	6.3%

d. Time Deposits are as follows:

	2004 Rp	2003 Rp
Third Parties		
Rupiah	4,982,013	5,464,561
Foreign Currencies		
United Stated Dollar	754,998	951,834
Euro	31,175	8,108
Singapore Dollar	17,008	14,356
Yen	2,336	12,169
Sub Total	5,787,530	6,451,028
Related Parties		
Rupiah	156,028	146,991
Foreign Currencies		
United States Dollar	14,641	62,735
Sub Total	170,669	209,726
Total	**5,958,199**	**6,660,754**
Average Interest Rate per annum		
Rupiah	5.9%	9.5%
Foreign Currencies	1.0%	1.5%

The amount of time deposits based on term of time deposits:

	2004			2003		
	Rupiah Rp	Foreign Currencies Rp	Total Rp	Rupiah Rp	Foreign Currencies Rp	Total Rp
1 month	4,408,165	662,985	5,071,150	5,290,073	990,152	6,280,225
3 months	150,980	22,764	173,744	194,320	27,469	221,789
6 months	57,509	7,415	64,924	81,518	25,340	106,858
12 months	80,897	5,546	86,443	45,641	6,241	51,882
On Call	440,490	121,448	561,938	--	--	--
Total	**5,138,041**	**820,158**	**5,958,199**	**5,611,552**	**1,049,202**	**6,660,754**

The amount of time deposits based on the remaining period to maturity date:

	2004			2003		
	Rupiah	Foreign Currencies	Total	Rupiah	Foreign Currencies	Total
	Rp	Rp	Rp	Rp	Rp	Rp
< = 1 month	4,912,911	794,985	5,707,896	5,290,073	990,152	6,280,225
> 1 - 3 months	137,079	16,955	154,034	194,320	27,469	221,789
> 3 - 6 months	42,532	5,980	48,512	81,518	25,340	106,858
> 6 - 12 months	45,519	2,238	47,757	45,641	6,241	51,882
Total	**5,138,041**	**820,158**	**5,958,199**	**5,611,552**	**1,049,202**	**6,660,754**

e. Certificates of deposits are as follows:

Certificates of deposits denominated in Rupiah based on term and interest rates are as follows:

	Average Interest Rate		Total	
	2004 (%)	2003 (%)	2004 Rp	2003 Rp
1 Month	--	6,75	--	5,300
6 Months	--	7,00	--	200
Total			--	5,500
Less: Unamortized Interest			--	(7)
Net			**--**	**5,493**

19. Deposits from Other Banks

	2004			2003		
	Rupiah	Foreign Currencies	Total	Rupiah	Foreign Currencies	Total
	Rp	Rp	Rp	Rp	Rp	Rp
Demand Deposits	21,613	2,064	23,677	17,456	317	17,773
Time Deposits	500	--	500	100	--	100
Total	**22,113**	**2,064**	**24,177**	**17,556**	**317**	**17,873**

The average annual interest rate of demand deposits in Rupiah and foreign currencies were 2.65% and 0.64% respectively, in year 2004 (2003: 3.43% and 0.87%).

On December 31, 2004 and 2003, the time deposits have terms ranging from 7(seven) days to 6 (six) months and average interest rates of 5.4% and 9.1% per annum, respectively. The remaining period to maturity of time deposits is less than 3 (three) months.

20. Borrowings

Type of Borrowing	2004		
	Period	Average annual interest rate (%)	Total Rp
Rupiah			
Permodalan Nasional Madani	3 years	9.00	819
Two Step Loans			
Exim Bank of Japan	15 years	10.18	10,800
OECF	20 years	4.34	7,120
Foreign Currency			
United States Dollar			
Two Step Loans			
ADB (USD 1,400,000)	15 years	6.68	12,999
Total			**31,738**

Type of Borrowing	2003		
	Period	Average annual interest rate (%)	Total Rp
Rupiah			
Permodalan Nasional Madani	3 years	9.00	2,796
Two Step Loan			
Exim Bank of Japan	15 years	12.78	13,200
OECF	20 years	9.03	7,959
Foreign Currency			
United States Dollar			
Two Step Loans			
ADB (USD 1,800,000)	15 years	7.70	15,165
Total			**39,120**

(i) PT Permodalan Nasional Madani (Persero)

In accordance with the credit agreement between both parties on June 2, 2002, the facility can be available until June 3, 2005 and can be extended up to a period of two years subject to a formal agreement between both parties.

(ii) Two Step Loans

Two step loans consist of loan facilities in Rupiah obtained from international funding institutions through Indonesian Government which are used to finance specific projects in Indonesia. The borrowings obtained from Export - Import Bank of Japan, Overseas Economic Cooperation Fund - Japan and Asian Development Bank.

- **Export - Import Bank of Japan**
  The facilities obtained from Export - Import Bank of Japan amounted to ¥ 3,640,000,000 in year 1992 and ¥ 1,270,000,000 in year 1995. The facility obtained in year 1992 is repayable within 11 (eleven) years in 18 (eighteen) semi - annual installments starting on September 15, 1994 with 2 (two) years grace period starting on the effectivity date of the loan agreement, while the facility obtained in year 1995 is repayable within 15 (fifteen) years in 24 (twenty four) semi - annual installments starting on December 15, 1997 with 3 (three) years grace period.

  The loans bear a floating interest rate determined every 6 (six) months based on the prevailing average interest rate equal to the rate of 3 (three) months Certificates of Bank Indonesia during the last 6 (six) months, but not more than the average interest rate of 3 (three) months time deposits of 5 (five) government commercial banks during the same period.

- **Overseas Economic Cooperation Fund - Japan**
  The facility obtained from the Overseas Economic Cooperation Fund - Japan consists of ¥ 443,247,940 for SSI (Small Scale Industry) program and ¥ 1,344,000,000 for PAE (Pollution Abatement Equipment) program. These facilities are repayable within 20 (twenty) years in 30 (thirty) installment semi - annual installments starting on August 15, 1998 with 5 (five) years grace period starting on the effectivity date of the loan agreement.

  The loans bear a floating interest rate determined every 6 (six) months based on the prevailing average interest rate equal to the rate of 3 (three) months Certificates of Bank Indonesia during the last 6 (six) months, but not more than the average interest rate of 3 (three) months time deposits of 5 (five) government commercial banks during the same period.

- **Asian Development Bank (ADB)**
  Two step loan in foreign currency represents credit facility obtained from Asian Development Bank (ADB) to finance private projects in Indonesia. The facility, which had a maximum amount of USD 22,222,222 in year 1993 and was subsequently reduced to USD 10,000,000 in year 1995, is repayable within 15 (fifteen) years in 22 (twenty two) semi -annual installments starting on August 1, 1997 with 4 (four) years grace period after the date of the first drawn down. The loan bears a floating interest rate determined every 6 (six) months equal to the interest rate charged by ADB to the Government of Indonesia plus 0.5%. The first drawn down amounting to USD 4,000,000 was made in April 1998. Based on the Bank's letter No. 042/CCG-KP/V/98 to Bank Indonesia dated May 28,1998, the Bank has decided not to use the remaining facility amounting to USD 6,000,000.

21. Subordinated Debt

Type of Borrowing	2004 Period	2004 Average annual Interest rate (%)	2004 Total Rp
Rupiah			
Subordinated Debt from 36 Banks	18 years	6.00	20,483
Subordinated Debt from Bank Indonesia	15 years	6.00	4,926
Total			**25,409**

Type of Borrowing	2003 Period	2003 Average Annual Interest Rate (%)	2003 Total Rp
Rupiah			
Subordinated Debt from 36 Banks	18 years	6.00	23,897
Subordinated Debt from Bank Indonesia	15 years	6.00	5,748
Total			**29,645**

The subordinated debt from 36 (thirty six) banks represent borrowing of PT Bank Umum Majapahit Jaya (BUMJ) from 36 banks which were assumed by the Bank (originally amounting to Rp 63,200). These debts are payable in equal annual payments of Rp 3,511 for 18 (eighteen) years starting on October 28, 1993.

Subordinated debt from Bank Indonesia is the BUMJ's borrowing from Bank Indonesia which were taken over by the Bank.

22. Accruals and Other Liabilities

	2004 Rp	2003 (Restated, Note 3, 31.b) Rp
Accrued Expenses	296,873	354,931
Accrued Interest	30,191	33,653
Security Deposits	18,326	14,063
Deferred Income	11,295	13,731
Leasing Liability	6,510	--
Others	8,908	29,552
Total	**372,103**	**445,930**

In the account of accrued expenses, there are the employee benefit liability program, which amounting to Rp 118,005 and Rp 99,191 in year 2004 and 2003, respectively (see Note 31.b).

The balance of employee benefit liability is based on the balance of actuary calculation as the early application of SFAS No. 24 (Revised 2004) regarding "Employee Benefit". The application of SFAS has resulted a change in the Bank's accounting policy. With retrospective approach, the Bank's financial statements for the year ended of December 31, 2003 has been restated (see Note 3 and 31.b).

Leasing liability represents the liability of PT Multipolar Corporation for the *IT Network Infrastructure Improvements* project with the period of 36 (thirty six) months starting from January 1, 2004 up to December 31, 2006.

23. Taxation

a. Tax Payable

	2004 Rp	2003 Rp
Income Tax Articles 21 and 26	16,147	8,517
Income Tax Articles 23	14,585	13,942
Income Tax, Tax on the Transfer of Land and Buildings Rights (BPHTB) and Value Added Tax of Foreclosed Assets	211	367,000
Others	465	823
Total	**31,408**	**390,282**

For the year ended December 31, 2004, the Bank has recorded tax expenses on foreclosed asset in compliance with the tax obligation based on Government Regulation (PP) No. 79 year 1999 regarding the payment of income tax and Circular Letter of Tax Director General No. 118/PJ/1999 regarding the payment of BPHTB in relation to transfer rights of land and/or building from debtor to creditor (Bank or BPPN). Bank also provided provision for Value Added Tax (VAT) in compliance to the Decree of Ministry of Finance No. 180/KMK.04/1999 dated May 27, 1999 which was renewed with Decree of *Dirjen Pajak* No. Kep-546/PJ/2000 dated December 29, 2000 regarding the transfer of Taxable Goods (BKP) in debtor restructuring scheme that are not transfer within 5 (five) years and the time of VAT payable upon the transfer of BKP related to the restructuring of Corporation and trade payable scheme. The provision for tax expenses in regards to the transfer of foreclosed assets of Rp 367,000 was charged to non operational expenses in the year 2003 (see Note 30).

In year 2004, the Bank has asked clarification on the above tax regulations and based on the letter of *Dirjen Pajak* No. S-288/PJ/2004 dated October 7, 2004, it is stated that the tax provision of Rp 367,000 in regards to the transfer of foreclosed assets is not regulated under Circular Letter of Tax Director General No. 118/PJ/1999, Decree of Ministry of Finance No. 180/KMK.04/1999 and Decree of *Dirjen Pajak* No. Kep-546/PJ/2000 as mentioned above. Based on the letter of *Dirjen Pajak* above, the Bank has recorded tax recovery of Rp 367,000 as non operational income (see Note 30).

No provision for income tax has been made by the Bank for the years ended December 31, 2004 and 2003, because the Bank is in fiscal loss position.

b. Corporate Income Tax

The reconciliation between profit (loss) before income tax as presented in statements of income and estimated fiscal profit of the Bank are as follows:

	2004 Rp	2003 Rp
Profit (Loss) before Income Tax		
According to Statements of Income	904,684	(362,957)
Positive Correction:		
Donations, Salaries, Employees' Benefits in Kind and Others	47,916	100,007
Gain on Sale of Securities and Investments	12,294	8,662
Tax Expenses and Penalty	2,030	1,378
Others	3,510	7,729
Negative Corrections:		
Leasing Installment Expense	(3,548)	--
Gain from Valuation to Market of Securities	(16,108)	(5,869)
Interest Income Applied Against Principal	(20,206)	23,331
Depreciation	(23,871)	26,071
Income Already Subjected to Final Tax and Other Income	(27,372)	(23,292)
Reverse Recovery	(110,000)	--
Provision (Reversal) of Possible Losses	(133,734)	(50,926)
Income Tax Expense, Tax on Transfer of Land and Building Rights (BPHTB) and Value Added Tax of Foreclosed Assets	(367,000)	367,000
Estimated Fiscal Income	268,595	91,134
Less Fiscal Loss Carryforward	(1,662,204)	(8,008,433)
Correction on Fiscal Loss cannot be Compensated	1,393,609	6,255,095
Accumulated Fiscal Loss	**--**	**(1,662,204)**

c. Deferred Tax Assets

	2004 Rp	2003 Rp
Deferred Tax Assets	367,850	1,012,782
Deferred Tax Liabilities	(16,760)	(9,599)
Deferred Tax Assets - Net	351,090	1,003,183
Allowance of Deferred Tax Assets	(273,090)	(913,183)
Deferred Tax Assets - Net (After Allowance of Deferred Tax Assets)	**78,000**	**90,000**
Deferred Tax Expense	**12,000**	**153,000**

Deferred Tax Assets arise from temporary differences and fiscal loss carryforward can be recognized if the amount of taxable income for the next 5 (five) years is sufficient to be compensated with deferred tax assets recorded in balance sheets.

On December 31, 2004, the Bank has potential unrecognized deferred tax assets of Rp 351,090, that mainly attributable from allowance for possible losses and write off of earning assets. On the ground of conservatism, the Management have decided to only recognize deferred tax assets of Rp 78,000 as of December 31, 2004 (2003: Rp 90,000).

24. Capital Stock

Share ownership consists of the following:

Stockholders	2004 Number of Share Issued and Fully Paid (Full Amount) Class A Rp 5,000 par value (Full amount)	Class B Rp 100 par value (Full amount)	Class C Rp 100 par value (Full amount)	Percentage of Ownership (%)	Total Rp
Swissasia Global	--	2,038,198,061	--	52.05	203,820
PT Lippo E-Net Tbk	80,250	218,183,438	--	5.57	22,219
Perusahaan Pengelola Aset (PPA, ex BPPN)	--	--	100,015,087	2.55	10,002
Public-Indonesian and Foreign (Each below 5%)	85,617,750	1,473,638,453	--	39.83	575,453
Total	**85,698,000**	**3,730,019,952**	**100,015,087**	**100.00**	**811,494**

Stockholders	2003 Number of Share Issued and Fully Paid (Full Amount) Class A Rp 5,000 par value (Full amount)	Class B Rp 100 par value (Full amount)	Class C Rp 100 par value (Full amount)	Percentage of Ownership (%)	Total Rp
Indonesian Bank Restructuring Agency (IBRA)	--	--	2,142,772,187	54.72	214,277
PT Lippo E-Net Tbk	179,800	274,433,888	--	7.01	28,343
Public - Indonesian and Foreign (Each below 5%)	85,518,200	1,412,828,964	--	38.27	568,874
Total	**85,698,000**	**1,687,262,852**	**2,142,772,187**	**100.00**	**811,494**

On February 25, 2004, BPPN has divested 52.05% or 2,038,198,061 Class C shares of the Bank's total shares that owned by BPPN (qq. Government Republic of Indonesia) to Consortium Swissasia Global. Related to that divestment, the composition of stockholder have changed. The change of stockholder composition has been legalized under the notarial deed No. 21 of Ny. Poerbaningsih Adi Warsito dated July 29, 2004 (see Note 1.a and 43.b).

Based on the Extraordinary Stockholders' General Meeting on November 22, 2002, it was stated all shares' classes are common stock with requirements of Class C shares as follows:

a. The primary rights to receive excess of liquidation.
b. The pre-emptive rights to choose candidates for board of directors and commissioners with constitutes the total member of director and commissioner elected by Stockholders' General Meeting from the nominated not to exceed half from the total of directors and commissioners.
c. Owned by the State of Republic of Indonesia or legal entity which all of their stocks owned by the State of Republic of Indonesia which appointed for.
d. It will be automatically changed to Class B shares if they are transferred to parties which are not part of Class C shares.

With the transfer of the share ownership of BPPN (qq. Government of Republic of Indonesia) to Consortium Swissasia Global (not an entity whose all its shares owned by the Government of Republic of Indonesia), hence the ownership of Class C share amounting to 2,038,198,061 shares has also been transferred to Class B share with the same amount.

As of December 31, 2004, the right certificates (*Surat Bukti Hak* or SBH) were executed, the amount Class C shares transferred to Class B shares by the holders of SBH that executed their rights are 181,793,202 shares.

25. Interest Income

	2004 Rp	2003 Rp
Rupiah		
Demand Deposits	1,082	483
Placement with Other Banks		
Call Money	7,244	4,751
Certificate of Deposit	--	54
Others	--	58
Securities		
Certificate of Bank Indonesia	594,441	591,162
Government Bonds	509,906	619,294
Other Bonds	3,361	2,437
Loans		
Overdraft	120,073	125,623
Fixed Loan	236,075	256,634
Other Loans	107,127	86,010
Others	4,273	--
Sub Total	1,583,582	1,686,506
Foreign Currency		
Demand Deposits	1,351	1,491
Placement with Other Banks		
Call Money	28,288	26,187
Certificate of Deposit	1,800	--
Others	793	1,795
Securities		
Other Bonds	22,675	165
Loans		
Fixed Loans	47,906	80,912
Others	24,674	621
Others	63,989	50,612
Sub Total	191,476	161,783
Total	**1,775,058**	**1,848,289**

26. Interest Expense

	2004 Rp	2003 Rp
Rupiah		
Deposits		
Saving Deposits	370,453	462,235
Time deposits	295,913	475,907
Demand deposits	106,606	97,194
Borrowing	3,591	5,635
Deposits from Other Banks		
Call Money	526	886
Demand Deposits	368	210
	777,457	1,042,067
Foreign Currency		
Deposits		
Demand Deposits	19,634	24,296
Time deposits	6,009	13,882
Deposits from Other Banks		
Call Money	19	39
Borrowing	936	1,148
	26,598	39,365
Others		
Insurance Premium for Government Guarantee	62,375	53,061
Operational Promotion (Gifts)	17,968	34,545
	80,343	87,606
Total	**884,398**	**1,169,038**

Insurance premium is a third party insurance premium which paid to Government of Republic of Indonesia for the government guarantee for certain Bank's liability according to the Ministry of Finance Decree No.179/KMK.017/2000 dated May 26, 2000 and has been recorded as interest expense - others (see Note 41.b).

27. Fees and Commissions from Unrelated Loan Transactions

This account represents Bank's income, among others, from annual fee, merchant commission, administration fees for Demand Deposits Account, Bancassurance transfer for Rupiah and fee for Telegraphic Transfer and foreign currency accounts.

28. General and Administrative Expenses

	2004 Rp	2003 Rp
Depreciation (see Note 15)	113,318	168,731
Rental	101,301	99,924
Professional Fee	79,616	64,337
Telephone and Telex	63,199	55,312
Advertising	65,298	47,354
Repairs and Maintenance	58,968	64,146

	2004 Rp	2003 Rp
Office Supplies	37,266	38,080
Administration of Foreclosed Assets	23,643	19,894
Transportation	16,805	15,537
Tax	9,035	8,724
Insurance Premium	8,672	10,849
Others	8,492	11,393
Total	**585,613**	**604,281**

29. Personnel Expenses

	2004 Rp	2003 Rp
Employees Salaries and Wages	201,027	201,130
Employees Benefits	99,831	117,568
Education and Training	1,073	20,643
Others	77,476	59,992
Total	**379,407**	**399,333**

Salary, wages and employee benefits for the year ended December 31, 2004 and 2003 includes the compensation for the Boards of Commissioners and Directors amounting Rp 25,000 (2003: Rp 26,000).

30. Non Operating Income (Expenses) - Net

	2004 Rp	2003 Rp
Tax Recovery (See Note 23)	367,000	--
Reserve Recovery	110,000	--
Rental Income	5,603	1,825
Gain on Sale of Fixed Assets	332	1,348
Penalty	(1,481)	(1,300)
Income Tax Expense, Tax on the Transfer of Land and Buildings Rights (BPHTB) And Value Added Tax of Foreclosed Assets (see Note 23)	--	(367,000)
Others-Net	(295)	(2,267)
Total	**481,159**	**(367,394)**

31. Pension Plan And Other Employee Benefits

a. Pension Plan

The Bank has a defined contribution retirement plan covering all of its permanent employees. The plan is administered by AIG Lippo. The pension plan was approved by Ministry of Finance in its Decision Letter No.S-116/LK/1996 dated January 9, 1996. Pension Plan charged to current statements of income is amounting to Rp 9,202 in 2004 (2003: Rp 9,118).

b. Employee Benefits Program

The Bank has calculated its estimated employee benefit liability in accordance with Labor Law No. 13/2003. No funding of benefits has been made related to the employee benefits program.

The balance of employee benefit liability in 2004 and 2003 represent an actuary calculation as the early application of SFAS No. 24 (Revised 2004) regarding "Employee Benefit". The application of SFAS has resulted in a change in the bank's accounting policy. The Bank has adopted this accounting policy retrospectively which caused the restatement of the balance of employee benefit liability for the year ended December 31, 2003 (see Note 3 and 22).

Total liability that recognized on the balance sheet:

	2004 Rp	2003 Rp
Present Value of Past Service Liability	120,388	100,397
Fair Value of Asset of Employee Benefit Program	--	--
Transitional Liability	120,388	100,397
Unrecognized Actuarial Liability	(2,383)	(1,206)
Employee Benefit Program Liability	**118,005**	**99,191**

The employee benefits expense for the current year are as follows:

	2004 Rp	2003 Rp
Current Service Cost	9,019	10,879
Interest Cost	9,453	7,851
Amortization of Transitional Liability	342	270
Total Employee Benefit Expense	**18,814**	**19,000**

The changes of liability that is recognized on the balance sheet:

	2004 Rp	2003 Rp
Beginning Balance of the Year	99,191	80,191
Employee Benefit Expense that Recognized on the Current Year	18,814	19,000
Ending Balance of the Year	**118,005**	**99,191**

The key assumptions used by Independent Actuary for the calculation of pension benefit expenses, are as follows:

	2004	2003
Normal Pension Age	55 years	55 years
Discount Rate	10% per annum	10% per annum
Projection of Salary Increase Rate	8% per annum	8% per annum
Recording Rate	5% mortality rate	5% mortality rate
Resignation rate	25% to age 20 and decreasing linearly to 5% at age 30 the decreasing linearly to 3% at age 45 then level	25% to age 20 and decreasing linearly to 5% at age 30 the decreasing linearly to 3% at age 45 then level
Table of Mortality	100% of Indonesian mortality table 1999	100% of Indonesian mortality table 1999

32. Transactions with Related Parties

The Bank has business transactions with companies having the same stockholders and/or management of the Bank. These transactions primarily relate to lending and borrowing of funds in the normal course of their business and are substantially made on an arm's length basis. Significant transactions with related parties are as follows:

	2004 Rp	2003 Rp
Placement with Other Banks (see Note 7)		
Foreign Currency		
RZB Austria (Singapore)	46,425	--
PT Bank Mayapada Internasional Tbk	9,285	--
Placement with Other Banks	55,710	--
Less: Allowance for Possible Losses	(557)	--
Total - Net	**55,153**	**--**
Loans (see Note 11)		
Rupiah		
PT Pacific Utama Tbk	37,250	65,750
PT Siloam Healthcare Tbk	30,000	30,200
Commissioners, Directors and Executive Bank Officers	6,558	10,260
PT Kemang Hasta Mitratama	--	909
Foreign Currency		
PT Siloam Healthcare Tbk	45,961	42,125
Total Loans	119,769	149,244
Less: Allowance for Possible Loss	(2,688)	(4,122)
Total	**117,081**	**145,122**
Investments in Shares of Stock (see Note 14)		
PT Ciptadana Asset Management (formerly PT Lippo Investment Management)	--	2,200
Less: Accumulated Equity in Net Losses	--	(2,200)
Total	**--**	**--**

	2004 Rp	2003 Rp
Deposits from Customer (see Note 18)		
Demand Deposits		
Rupiah	89,814	50,062
Foreign Currency	15,056	17,018
Saving Deposits		
Rupiah	10,648	6,206
Deposits		
Rupiah	156,028	146,991
Foreign Currency	14,641	62,735
Total	**286,187**	**283,012**
Others Liabilities (see Note 22)		
Leasing liability	6,510	--
Total	**6,510**	**--**
Bank Guarantees		
Rupiah		
PT Kymco Lippo Motor Indonesia	500	--
PT Asuransi AIG Lippo Life	183	183
PT Link Net	25	--
PT Matahari Putra Prima Tbk	--	2,000
Foreign Currency		
PT Broadband Multimedia Tbk	127	350
Total	**835**	**2,533**

The Bank guarantees to related parties are collateralized fully by cash collateral.

The Bank has insured certain fixed asset to PT Lippo General Insurance Tbk (see Note 15).

33. Foreign Currency Purchase/Sell Transactions

The balance of commitment receivables and payables arising from spot and forward foreign currency transactions consist of:

	2004 Rp	2003 Rp
Receivables		
Unrealized Spot Foreign Currency Purchase Transaction	**255,785**	**335,659**
Payables		
Unrealized Spot Foreign Currency Sell Transaction	256,431	67,050
Unrealized Forward Foreign Currency Sell Contract	87,394	350,486
Total	**343,825**	**417,536**

34. Commitments and Contingencies

In the normal course of business, the Bank has commitments and contingencies that are not presented in financial statements.

The following is a summary of the Bank's commitments and contingencies at the equivalent Rupiah contractual amounts:

	2004 Rp	2003 Rp
COMMITMENTS		
Commitment Receivables		
Others	20,634	--
Total Commitment Receivables	20,634	--
Commitment Payables		
Unused Loan Facilities Granted	(1,931,967)	(1,720,817)
Outstanding Irrevocable Export-Import Usance and Sight Letters of Credit	(94,124)	(70,774)
Others	(40,552)	--
Total Commitment Payables	(2,066,643)	(1,791,591)
Net Commitments	**(2,046,009)**	**(1,791,591)**
CONTINGENCIES		
Contingent Receivables		
Interest Receivable on Non-Performing Loans	98,088	80,124
Contingent Payables		
Guarantees Issued in the form of:		
Bank Guarantees		
Payment Bonds	304,318	355,863
Performance Bonds	42,440	21,206
Advance Payment Bonds	14,252	2,909
Bid Bonds	3,833	3,019
Others	62,036	2,802
Total Contingent Payables	(426,879)	(385,799)
Net Contingencies	**(328,791)**	**(305,675)**
COMMITMENTS AND CONTINGENCIES -NET	**(2,374,800)**	**(2,097,266)**

For the year ended December 31, 2004, Bank has recorded estimated loss commitments and contingencies amounting to Rp 5,499 (2003: Rp 4,717).

Management believes that the above allowance for possible losses is adequate to cover possible losses, which might arise in collectible commitments and contingencies.

35. Credit Risk

In controlling credit risk, Bank has continuously reviewed and improved the policy and procedure of approving loans. Besides that, Bank has implemented 4 (four) eyes principle in credit approval process and in granting large amount of loan through Credit Committee Meeting.

The controlling of credit risk is also conducted by Bank through limit policy and control which are : Legal Lending Limits and Loans Concentration Limits.

In year 2004, the loans to related parties and third parties are within the range of Legal Lending Limit of Bank Indonesia.

Bank's Loan Concentration based on economic sectors are as follows:

Economic Sector	2004		2003	
	Rp	(%)	Rp	(%)
Manufacturing	1,695,137	30.19	1,592,215	33.55
General Trading and Administration	1,507,465	26.84	1,532,928	32.30
Business Services	897,504	15.98	433,520	9.13
Construction	242,443	4.32	242,539	5.11
Transportation	149,933	2.67	210,081	4.43
Social Services	122,006	2.17	85,462	1.80
Agriculture	18,981	0.34	15,769	0.33
Mining	87	0.00	--	--
Others	981,937	17.49	633,518	13.35
Sub Total	**5,615,493**	**100.00**	**4,746,032**	**100.00**

Bank's Loan Concentration based on type of currency are as follows:

Type of Currency	2004		2003	
	Rp	(%)	Rp	(%)
Rupiah	4,653,757	82.87	3,363,264	70.86
Foreign Currency	961,736	17.13	1,382,768	29.14
Total	**5,615,493**	**100.00**	**4,746,032**	**100.00**

Bank's Loan Concentration based on type of debitur on December 31, 2004 and 2003 are as follows:

Category of Debitur	2004		2003	
	Rp	(%)	Rp	(%)
Corporate	2,170,451	38.65	2,071,993	43.66
Commercial	2,463,105	43.86	2,040,521	42.99
Consumer	981,937	17.49	633,518	13.35
Total	**5,615,493**	**100.00**	**4,746,032**	**100.00**

36. Market Risk

In managing a market risk based on prudential principle, Bank has conducted several steps, which are:

- The function of Asset and Liability Committee in assessing asset and liability strategy, interest risk position, pricing and business achievement compared to target.
- The Policy and Procedure such as Treasury Manual, Trading Book Policy and Banking Book Policy that are related to market risk management would be reviewed and improved continuously.

In assessing and managing the exchange rate risk, the Bank uses Value at Risk approach for measuring the Net Open Position, in order to be compliance with Bank Indonesia's regulation.

The following tables represent Bank's Net Open Position as of December 31, 2004 and 2003 , which are as follows:

Foreign Currency	2004		
	Assets and Administrative Asset Accounts Rp	Liabilities and Administrative Liabilities Accounts Rp	Net Open Position Rp
United States Dollar	4,022,972	4,017,151	5,821
Euro	69,712	69,853	141
Yen	14,964	14,817	147
Australian Dollar	2,606	1,273	1,333
Singapore Dollar	200,463	200,574	111
Pound Sterling	9,730	9,017	713
Hongkong Dollar	1,785	708	1,077
Swiss Franc	363	--	363
Canadian Dollar	2,475	2,206	269
New Zealand Dollar	137	--	137
Net	**4,325,207**	**4,315,599**	**10,112**
Percentage to Capital			**0.52%**

Foreign Currency	2003		
	Assets and Administrative Asset Accounts Rp	Liabilities and Administrative Liabilities Accounts Rp	Net Open Position Rp
United States Dollar	4,918,286	4,946,396	28,110
Euro	35,540	35,372	168
Yen	24,174	24,162	12
Australian Dollar	5,551	5,639	88
Singapore Dollar	202,550	202,350	200
Pound Sterling	613	517	96
Hongkong Dollar	2,270	2,214	56
Swiss Franc	902	3	899
Canadian Dollar	363	109	254
New Zealand Dollar	2,202	1,819	383
Net	**5,192,451**	**5,218,581**	**30,266**
Percentage to Capital			**2.07%**

In assessing and managing the interest rate risk, the Bank uses Basis Point Value Method in determining the effect of interest rate changes to Bank's operation.

The following tables represent the annual interest rate for Bank's asset and liabilities as of December 31, 2004 and 2003:

	2004		2003	
	Rupiah (%)	United States Dollar (%)	Rupiah (%)	United States Dollar (%)
Asset				
Current Accounts with Other Banks	0.39	--	--	5.15
Placement with Other Banks				
Call Money	1.75	1.42	1.78	0.56 & 1.12
Deposit	--	1.18	--	--
Certificate Rate of Bank Indonesia	7.46	--	10.13	--
Securities	12.22	6.42	13.78	--
Loans	11.93	6	14.68	6.97
Government Bond	8.74	--	12.31	--
Liabilities				
Deposits from Customers				
Savings Deposits	3.67	--	5.58	--
Current Accounts	2.65	0.64	3.43	0.87
Deposits				
< 1 month	4.53	0.68	8.28	0.87
1 month	5.68	0.69	9.32	1.33
3 months	5.73	0.71	9.46	1.02
6 months	6.11	0.77	9.4	1.11
12 months	6.72	0.83	9.52	1.2
Deposit with Other Banks				
Current Accounts	0.72	--	--	--
Call Money	4.44	1.15	1.15	--
Deposits	5.81	--	--	--
Borrowing	5.25	--	--	--

37. Liquidity Risk

The management of liquidity risk is conducted based on prudential principle. The Bank has conducted several methods to assess the risk such as Liquidity Report Analysis approach with Normal Scenario and Fire Scenario based on maturity profile from the Bank's assets and liabilities.

The management process of the liquidity risk is conducted by assessing Liquidity Gap and its limits. The results are reported periodically to the Management.

The following is the liquidity analysis table (based on the remaining term of maturity) of Bank's assets and liabilities as of December 31, 2004 and 2003:

	2004					
	< 1 Month	> 1 Month - 3 Months	> 3 Months - 12 Months	> 1 Year - 5 Years	> 5 Years	Total
	Rp	Rp	Rp	Rp	Rp	Rp
Cash	493,166	--	--	--	--	493,166
Current Accounts with Bank Indonesia	1,765,986	--	--	--	--	1,765,986
Current Accounts with Other Banks	129,964	--	--	--	--	129,964
Placements with Other Banks	1,157,360	260,467	697,861	--	88,000	2,203,688
Securities	7,094,322	3,470	316,975	289,148	327,806	8,031,721
Derivative Receivables	95	278	--	--	--	373
Loans	443,586	343,171	2,074,892	2,120,041	633,803	5,615,493
Acceptance Receivables	1,192	13,045	21,448	--	--	35,685
Government Bonds	--	--	--	6,848,731	144,405	6,993,136
Investment in Shares of Stock	--	--	--	--	4,464	4,464
Total	**11,085,671**	**620,431**	**3,111,176**	**9,257,920**	**1,198,478**	**25,273,676**
Deposits from Customers	24,602,182	154,034	96,269	--	--	24,852,485
Acceptance Payables	1,192	13,045	21,448	--	--	35,685
Borrowing	--	--	--	818	30,920	31,738
Subordinated Debt	--	--	--	--	25,409	25,409
Total	**24,603,374**	**167,079**	**117,717**	**818**	**56,329**	**24,945,317**

	2003					
	< 1 Month	> 1 Month - 3 Months	> 3 Months - 12 Months	> 1 Year - 5 Years	> 5 Years	Total
	Rp	Rp	Rp	Rp	Rp	Rp
Cash	582,880	--	--	--	--	582,880
Current Accounts with Bank Indonesia	1,272,011	--	--	--	--	1,272,011
Current Accounts with Other Banks	366,160	--	--	--	--	366,160
Placements with Other Banks	2,003,171	605,692	1,348	--	--	2,610,211
Securities	7,955,637	26,475	216,879	411,927	8,804	8,619,722
Acceptance Receivables	5,061	--	--	--	--	5,061
Loans	504,903	211,389	1,671,097	1,851,707	506,936	4,746,032
Derivative Receivables	16,826	23,399	10,342	--	--	50,567
Government Bonds	361,185	--	257,528	3,711,200	1,287,532	5,617,445
Investment in Shares of Stock	--	--	--	--	4,464	4,464
Total	**13,067,834**	**866,955**	**2,157,194**	**5,974,834**	**1,807,736**	**23,874,553**
Deposits from Customers	23,152,092	533,720	120,728	--	--	23,806,540
Acceptance Payables	16,826	23,399	10,342	--	--	50,567
Borrowing	784	2,399	5,828	14,944	--	23,955
Subordinated Debt	15,165	--	4,235	20,353	5,057	44,810
Total	**23,184,867**	**559,518**	**141,133**	**35,297**	**5,057**	**23,925,872**

38. Operational Risk

The management of operational risk is based on prudential principle. The Bank has conducted several steps in controlling this risk, which are:

- The function of Product Committee in approving each product and/or service that will be launched to public.
- The policy and internal operational procedure are reviewed and improved continuously including the compiling of settlement manual, reviewing legal documents and all documents/forms that used in Bank's operational.

The management of operational risk is conducted by collecting data related to loss that caused by operational risk, conducting Audit Working Group Meeting periodically to follow up the findings of Internal Audit, reviewing Back-up System and Disaster Recovery Plan and also compiling the main policy of Business Continuity Plan.

39. Capital Adequacy Ratio

The capital adequacy ratio is calculated based on the Circular Letter of Bank Indonesia No. 3/30/DPNP dated December 14, 2001.

Bank Indonesia's regulation No. 3/21/PBI/2001 dated December 13, 2001 required the banks in Indonesia to maintain a minimum capital adequacy ratio of 8%. Furthermore, based on Bank Indonesia's regulation No. 5/12/PBI 2003 dated July 17, 2003, the banks are required to maintain a minimum capital adequacy ratio of 8% taking accounts of market risk, with the transition period of 18 (eighteen) months since the regulation was issued.

As of December 31, 2004 and 2003, the Bank's minimum capital adequacy ratio in compliance with Bank Indonesia's regulation are as follows:

	2004 Rp	2003 Rp
Composition of Capital		
A. Core Capital		
Paid-Up Capital	811,494	811,494
Additional Paid-in-Capital	343,958	(108,384)
Sub-Total	1,155,452	703,110
B. Supplementary Capital		
Reserve for Revaluation on Fixed Assets	633,300	633,300
General Reserve of Allowance for Possible Losses on Earning Assets	117,284	105,158
Subordinated Debt	56,329	65,969
Sub-Total	806,913	804,427
Maximum of 100% of Core Capital	806,913	703,110
Total Core and Supplementary Capital	1,962,365	1,406,219
Investments in Shares of Stock	(4,464)	(4,464)
Total Capital	1,957,901	1,401,755
Risk Weighted Assets (ATMR)	9,382,750	8,412,640
Capital Adequacy Ratio (without taking accounts of market risk)	**20.87%**	**16.66%**
Capital Adequacy Ratio (with taking accounts of market risk)	**19.89%**	**--**

Based on Bank Indonesia's regulation No. 3/21/PBI/2001 dated December 13, 2001, capital adequacy ratio should be computed by excluding the effect of the deferred tax.

Bank Indonesia in its Letter No. 27/216/UPB3/ADB3 dated October 6, 1994, has approved the loan of ADB and OECF as subordinated loans for supplementary capital in computing the capital adequacy ratio.

40. Ratio of Earning Assets to Total Assets

The following table presents the ratio of the Bank's earning assets before the allowance for possible losses to total assets:

	2004 (%)	2003 (%)
Current Accounts with Other Banks	0.47	1.38
Placements with Other Banks, Excluding Non-Performing Accounts	7.60	9.53
Securities, Excluding Non-Performing Accounts	28.10	31.46
Derivative Receivables	0.00	0.02
Loans, Excluding Non-Performing Accounts	18.81	16.35
Acceptance Receivables	0.13	0.19
Government Bonds	25.13	21.22
Investments in Shares of Stock, Excluding Non - Performing Accounts	0.01	0.02
Total Earning Assets	**80.25**	**80.17**

41. Significant Agreements

a. Lease Agreement

On September 15, 1989, the Bank entered into a lease agreement with PT Permata Birama Sakti covering a building located at Plaza Lippo Building, Jl. Jenderal Sudirman Kav. 25, Jakarta for 6 (six) years commencing on January 17, 1991. The first renewal was conducted on February 17, 1997 until January 17, 2003 for 6 (six) floors of the building. The agreement's renewal has been extended again until January 16, 2009, with the change of rented area that only consists of 2 (two) floors, which totally used for the Bank's operational. In accordance with the terms of the lease agreement, the Bank has placed a non-interest bearing security deposit (recorded under Other Assets) with the lessor amounting to USD 288,069.

Future minimum rental commitments under the above lease agreement was amounting to USD 401,460 per year, subject to review for every 3 (three) years from the commencement date. Total rental expense in accordance to this agreement is amounting to Rp 3,962 in year 2004 (2003: Rp 3,757).

b. Government Guarantee

Certain obligations of the Bank are guaranteed by the Government based on the Decree of the Ministry of Finance No. 179/KMK.017/2000 dated May 26, 2000. Under the terms of the Government Guarantee Program, the period of guarantee will be automatically extended at six-month intervals beginning January 31, 2001 unless if the Minister of Finance, prior to the end of any 6 (six) months term, announces that the Government does not intend to extend the guarantee. Also, under this Decree, the Bank is required to obtain the approval from their stockholder for the non-declaration of dividends during the guarantee period. As of December 31, 2004, the government guarantee is still valid.

c. Agreement of Call Center, Reward Center and Telesales

On November 21, 2003, the Bank has entered into a joint operation agreement with PT Infomedia Nusantara whereby PT Infomedia Nusantara agreed to conduct call center service or information service center for the customer of the Bank in regards to the Bank's information service. The implementation of call center started on January 5, 2004. The agreement is valid for 3 (three) years and will be expired on November 21, 2006. This agreement could be extended upon the approval of both parties.

On June 30, 2004, the Bank has entered into a joint operation agreement with PT Infomedia Nusantara for call center as the place of Lippo Reward Center. This agreement is valid for 3 (three) years and could be extended upon the approval of both parties.

On July 1, 2004, the Bank has entered into a joint operation agreement with PT Infomedia Nusantara for telesales service.This agreement is valid for 3 (three) years and could be extended upon the approval of both parties.

42. Business Segment Information

	2004		
	DKI Jakarta	Outside DKI Jakarta	Total
	Rp	Rp	Rp
Assets			
Cash and Cash Equivalents	2,150,316	238,800	2,389,116
Allowance for Possible Losses	(1,300)	--	(1,300)
Cash and Cash Equivalent - Net	**2,149,016**	**238,800**	**2,387,816**
Placements With Other Banks	2,203,688	--	2,203,688
Allowance for Possible Losses	(113,603)	(2)	(113,605)
Placements With Other Banks - Net	**2,090,085**	**(2)**	**2,090,083**
Securities - Rupiah			
Available - for - Sale	20,000	--	20,000
Held - to - Maturity	6,903,784	60	6,903,844
Securities - Foreign Currency			
Available - for - Sale	71,850	--	71,850
Held - to - Maturity	1,007,787	28,240	1,036,027
Allowance for Possible Losses	(220,729)	(527)	(221,256)
Securities - Net	**7,782,692**	**27,773**	**7,810,465**
Loans			
Rupiah	2,712,707	1,941,050	4,653,757
Foreign Currency	780,032	181,704	961,736
Allowance for Possible Losses	(491,592)	(111,449)	(603,041)
Loan - Net	**3,001,147**	**2,011,305**	**5,012,452**
Government Bonds	6,993,136	--	6,993,136
Other Assets	3,269,935	87,760	3,357,695
Accrued Income	173,688	6,773	180,461
	10,436,759	**94,533**	**10,531,292**
Total Assets	**25,459,699**	**2,372,409**	**27,832,108**

	2004		
	DKI Jakarta	Outside DKI Jakarta	Total
	Rp	Rp	Rp
Liabilities			
Demand Deposits			
Rupiah	2,880,523	2,173,768	5,054,291
Foreign Currencies	1,555,392	1,472,945	3,028,337
Saving Deposits	3,947,079	6,864,579	10,811,658
Time Deposits			
Rupiah	2,872,796	2,265,245	5,138,041
Foreign Currencies	499,750	320,408	820,158
Deposits from Customers	**11,755,540**	**13,096,945**	**24,852,485**
Deposits from Other Banks	11,627	12,550	24,177
Borrowing			
Rupiah	18,739	--	18,739
Foreign Currencies	12,999	--	12,999
Accrual and Other Liabilities	545,500	70,184	615,684
Total Liabilities	**12,344,405**	**13,179,679**	**25,524,084**
Income			
Interest Income			
Rupiah	1,398,489	185,093	1,583,582
Foreign Currencies	175,500	15,976	191,476
Fees and Commissions			
Rupiah	21,052	16,346	37,398
Foreign Currencies	6,485	599	7,084
Interest Income	**1,601,526**	**218,014**	**1,819,540**
Fee and Commissions - Net	161,606	173,112	334,718
Other Income (Expenses)	**161,606**	**173,112**	**334,718**
Total Income	**1,763,132**	**391,126**	**2,154,258**

	2003		
	DKI Jakarta	Outside DKI Jakarta	Total
	Rp	Rp	Rp
Assets			
Cash and Cash Equivalents	1,919,317	301,734	2,221,051
Allowance for Possible Losses	(3,662)	--	(3,662)
Cash and Cash Equivalent - Net	**1,915,655**	**301,734**	**2,217,389**
Placements With Other Banks	2,606,636	3,575	2,610,211
Allowance for Possible Losses	(113,224)	(2)	(113,226)
Placements With Other Banks - Net	**2,493,412**	**3,573**	**2,496,985**

	2003		
	DKI Jakarta	Outside DKI Jakarta	Total
	Rp	Rp	Rp
Securities - Rupiah			
Available - for - Sale	7,713,556	315	7,713,871
Securities - Foreign Currency			
Available - for - Sale	74,189	--	74,189
Held - to - Maturity	759,495	20,607	780,102
Allowance for Possible Losses	(246,569)	(1,393)	(247,962)
Securities - Net	**8,300,671**	**19,529**	**8,320,200**
Loans			
Rupiah	2,164,131	1,199,133	3,363,264
Foreign Currency	1,119,785	262,983	1,382,768
Allowance for Possible Losses	(551,854)	(166,379)	(718,233)
Loans - Net	**2,732,062**	**1,295,737**	**4,027,799**
Government Bonds	5,617,445	--	5,617,445
Other Assets	3,563,503	146,261	3,709,764
Accrued Income	72,004	4,767	76,771
	9,252,952	**151,028**	**9,403,980**
Total Assets	**24,694,752**	**1,771,601**	**26,466,353**
Liabilities			
Demand Deposits			
Rupiah	2,497,652	1,956,046	4,453,698
Foreign Currencies	1,846,462	1,718,992	3,565,454
Saving Deposits	3,255,382	5,847,886	9,103,268
Time Deposits			
Rupiah	3,150,825	2,460,727	5,611,552
Foreign Currencies	629,889	419,313	1,049,202
Deposits from Customers	**11,380,210**	**12,402,964**	**23,783,174**
Deposits from Other Banks	7,869	10,004	17,873
Borrowing			
Rupiah	23,955	--	23,955
Foreign Currencies	15,165	--	15,165
Accrual and Other Liabilities	1,092,693	108,268	1,200,961
Total Liabilities	**12,519,892**	**12,521,236**	**25,041,128**
Income			
Interest Income			
Rupiah	1,520,764	165,742	1,686,506
Foreign Currencies	140,226	21,557	161,783
Fees and Commissions			
Rupiah	13,652	10,517	24,169
Foreign Currencies	3,746	855	4,601
Interest Income	**1,678,388**	**198,671**	**1,877,059**
Fee and Commissions - Net	131,134	155,724	286,858
Other Income (Expenses)	**131,134**	**155,724**	**286,858**
Total Income	**1,809,522**	**354,395**	**2,163,917**

43. Other Significant Information

a. Resolution of Extraordinary Stockholders' General Meeting

In the Bank's Extraordinary Stockholders' General Meeting on May 5, 2003, the stockholders approved the new policies on the Bank's Non-Core Asset Sales Program and Core Asset Sales Program as follows:

i. Non-Core Asset Sales Program

The Bank's management cannot sell its foreclosed assets (Non-Core Assets Sales Program) unless:

1. Required by prevailing regulations and/or required by policies issued by the banking authority; and
2. The sale will not adversely affect the Bank's performance, will not result to a significant loss, and will not result to a decrease of more than 25% in the Bank's CAR level per December 31, 2001 financial statements.

ii Core Asset Sales Program

The Bank's management can only sell partially or in whole its non-performing loans (Core Assets Sales Program) as of December 31, 2002 or at a later date, with the approval of commissioners, with a requirement that at least 3 (three) commissioners giving approval must be commissioners nominated by IBRA (qq. the Government of Republic of Indonesia), with the following conditions:

1. The sale of non performing loans will not result to additional allowance for productive assets; and
2. The sale will not adversely affect the Bank's performance, and will not result to a significant loss and will not result to a decrease of more than 25% in the Bank's CAR level per December 31, 2001 financial statements.

If based on the above requirements the sale of the assets can be done, then the following requirements must be further met:

1. Formerly, the sale should be approved by commissioners, with a requirement that at least 2 (two) commissioners giving approval must be the commissioners nominated by IBRA (qq. the Government of Republic of Indonesia); and
2. The sale should be done openly, transparently and should comply with healthy market practices in accordance with the prevailing regulatory requirements and articles of association of the Bank.

During the said Extraordinary Stockholders' General Meeting, the stockholders also approved the revocation of the resolution adopted during the Extraordinary Stockholders' General Meeting on November 22, 2002, concerning the execution of the sale of Foreclosed Assets and Non Performing Loans, either partially or in full.

Based on the notarial deed of Ny. Poerbaningsih Adi Warsito, SH, No. 76 dated June 29, 2004, the stockholders in the Extraordinary Stockholders' General Meeting has approved the new policy of sales of assets that are the sale of Foreclosed Assets, the sale of Non Performing Loans (NPL) and the sale of other assets where the sales of those assets can only be conducted if they are in compliance with the prevailing regulations and Bank's Article of Association.

b. Divestment of IBRA's Share

On December 2003, IBRA has declared the divestment plan for 52.05% of the Bank's shares that was owned by IBRA . The divestment of shares will be offerred through the private placement mechanism with strategic investors and conducted transparently and in accordance to the prevailing regulations.

On February, 2004, IBRA has conducted the divestment of 52,05% of Bank's shares that was owned by IBRA (Government of Republic of Indonesia) to the Consortium of Swissasia Global as the majority of stockholders (see Note 24).

44. Economic Conditions in Indonesia

Indonesia has been experiencing a prolonged period of economic difficulty which has been compounded by a downturn in the global economy. Indonesia's return to economics stability is dependent to a large extent on the effectiveness of measures taken by the government, decisions of international lending organisations, changes in global economic conditions and other factors including regulatory and political developments, which are beyond Bank's control.

These circumstances give rise to continued economic and political uncertainties. Uncertainty is also attached to any evaluation of the financial condition and debt servicing capacity of the borrowers. Bank's estimation of the allowance for possible losses on earning assets reflects the effect of aconomics conditions to the extent they can be reasonably determined and estimated. Management believes that the allowance for possible losses on earnings assets is adequate.

45. Subsequent Events

Bank Indonesia's Regulations
In January 2005, Bank Indonesia has issued several regulations which are :

- Bank Indonesia's Regulation No. 7/1/PBI/2005 dated January 10, 2005 concerning Bank's Foreign Loan;
- Bank Indonesia's Regulation No. 7/2/PBI/2005 dated January 20, 2005 concerning Asset Quality Evaluation of General Bank;
- Bank Indonesia's Regulation No. 7/3/PBI/2005 dated January 20, 2005 concerning Legal Lending Limit Loan of General Bank;
- Bank Indonesia's Regulation No. 7/4/PBI/2005 dated January 20, 2005 concerning Prudential Principles in Asset Backed Securities for General Bank;
- Bank Indonesia's Regulation No. 7/5/PBI/2005 dated January 20, 2005 concerning Special Treatment for General Bank's Loans after National Disaster in Nangroe Aceh Darussalam Provinces and Nias, North Sumatra Provinces;
- Bank Indonesia's Regulation No. 7/6/PBI/2005 dated January 20, 2005 concerning Information Transparency of Bank's Product and the Use of Private Debtor Data;
- Bank Indonesia's Regulation No. 7/7/PBI/2005 dated January 20, 2005 concerning the Settlement of Debtor Complaint; and
- Bank Indonesia's Regulation No. 7/8/PBI/2005 dated January 24, 2005 concerning Debtor Information System.

The guidelines regarding the implementation of these regulations will be furthermore arranged in Circular Letters of Bank Indonesia, except Bank Indonesia's Regulation No. 7/1/PBI/2005 and No. 7/5/PBI/2005. Until the date of this report, the Circular Letters of Bank Indonesia have not been issued. The effect of these regulation has not been accounted in the Bank's financial statement per December 31, 2004.

OBU Manila
On January 28, 2005, Bank has received a confirmation letter from Bureau of Internal Revenue (BIR), Manila, Philippine acknowledging that Bank has settled its tax payables and there is no more outstanding tax obligation in regard to OBU Manila. The tax settlement has been registered to BIR Head Office and the letter of tax settlement including the tax clearance will be issued by BIR to the Bank as soon on possible.

46. Reclassification of Accounts

Certain accounts in financial statement for the year ended December 31, 2003 has been reclassified to conform with the presentation of the financial statements for the period ended December 31,2004 for comparison purpose.

	Before Reclassification Rp	After Reclassification Rp
Liabilities		
Borrowing	23,955	39,120
Subordinate Loans	44,810	29,645
	68,765	**68,765**
Statements of Income		
Interest Expenses	(1,081,432)	(1,169,038)
Other Operating Expenses		
General and Administrative Expenses	(741,504)	(604,281)
Others	(95,550)	(29,540)
Other Operating Income		
Fees and Commissions from Unrelated Loan Transactions	378,565	286,858
Others - net	109,469	85,549
	(1,430,452)	**(1,430,452)**

47. The Composition of Financial Statements

The management of Bank is responsible for the composition of financial statement that was completed on January 31, 2005.

corporate**data**

commissioners' **biography**

DR. Mochtar Riady

Appointed as the President Commissioner of LippoBank since 1997, DR Mochtar Riady is one of the most important figures in the Indonesian banking industry, who also experienced in holding positions in a large number of prominent business, social and educational institutions including Fellow American International Banker, Honorary Fellow Institute Bankir Indonesia, Asian Bankers Association and the University of Southern California. In 2002, he was appointed as Chairman of the Board of Trustees of the University of Indonesia.

Rainer Silhavy

Appointed as Deputy President Commissioner of LippoBank on February 25, 2004. Mr. Silhavy, joined RZB (one of the oldest bank in Austria) after finishing study from Vienna University, Austria. He led RZB Asia banking operations from RZB Singapore office since 1986. At that time, RZB Asia consisted of 2 offices, in Singapore and Hongkong. Under his leadership, RZB Asia networks expanded rapidly with its offices now in Singapore (regional office), Beijing, Hongkong, Seoul, Ho Chi Minh and Mumbai.

DR. I Nyoman Tjager

Appointed as Commissioner of LippoBank on February 25, 2004 and previously served as a Deputy President Commissioner from 2003-2004. He started his career at the Capital Market Supervisory Board 1978-1991 and ending his career there as a Head of the Legal Bureau. He once held the position of Secretary of the State Minister/ Secretary of the Investment & Development of State Owned Enterprises and Director General of State Owned Enterprises. Since 2001, he served as the Expert Staff at the Office of the State Minister for Developing State-Owned Enterprises in Small Enterprises Partnership. Dr. I Nyoman Tjager obtained his bachelor degree in Law from Gajah Mada University, Yogyakarta in 1976 and his Master Degree in Economics from Fordham University, USA in 1988. He received his Doctor's degree in 2003 from Gajah Mada University, Yogyakarta.

DR. Djisman Simandjuntak

Appointed as Commissioner of LippoBank since April 15, 2003. Started his career as an Auditor of KAP SGV Utomo in 1973. Currently he is the Executive Director of the Prasetya Mulya Business School and the Chairman, Board of Trustees of CSIS (Centre for Strategic and International Studies). He obtained his bachelor degree from the Faculty of Economics of Parahyangan University and his Diplom RerPol and PhD from the University of Cologne, Germany.

James C. Ng

Appointed as Commissioner of LippoBank on February 25, 2004. An American national. Mr. James C. Ng started his career in 1972, in financial and banking sector at Chase Manhattan Bank for 14 years. Then he joined United Savings Bank in USA as CEO up to 1991. In addition to his formal positions as top executive at various international companies, he also active in some social organizations such Employers' Federation of Hongkong and Election Committee of the Hongkong Chief Executive. He finished his study in Business Administration at St Jones State University and had an MBA degree from Golden Gate University, both in USA.

Christopher Williams

Appointed as Commissioner of LippoBank on February 25, 2004. A British national, Mr. C. Williams is a lawyer in Hongkong, a partner of law consultant Richards Butler since 1994. Qualified for a lawyer in England and Wales in 1986, he was called to the bar in Hongkong in 1991. From 1986, he had worked with Richards Butler in London and in the early of 1991 was transferred to Richards Butler office in Hongkong. He had experiences in corporate finance, mergers and acquisitions, direct investment and corporate restructuring & reorganization. The Guide to the World's Leading Mergers and Acquisitions Lawyers published by Euromoney Publications PLC and The International Who's Who of Merger and Acquisition Lawyers published by Law Business Research noted his name as one of the world prominent law consultants in mergers and acquisitions. The Guides to Asia's Leading Commercial Lawyers noted him as a prominent law consultant in area of Merger and Acquisition.

Jan G. Cherim

Appointed as Commissioner of LippoBank on February 25, 2004. Previously served as Commissioner of LippoBank from 2000-2001. A Dutch national, Mr. Cherim began his career in financial and banking sector at S.G. Warburg & Co, London in 1984. He returned to Amsterdam in 1990 and joined ING Bank as Senior Manager for Emerging Markets. He held various positions before being Head of Global Institutional & Government Advisory Group at ING Baring. He also held various positions in Thailand, Burma, Laos, Cambodia and Indonesia during his service at ING. He graduated from John Hopkins University, USA and London School of Economic & Political Science.

Roy E. Tirtadji

Appointed as Commissioner of LippoBank since 1990. He spent twelve years with Citibank N.A., Jakarta, rising to the position of Vice President and Chief of Staff of Financial Control and Human Resources. He joined LippoBank in 1983 as a Managing Director and became the President Director of PT Bank Umum Asia, which was merged with LippoBank in 1989. He plays an active role in a wide range of social, civic and sport organizations.

directors' biography

DR. Joseph Luhukay

Appointed as President Director LippoBank since April 15, 2003. He obtained his Bachelor degree in electrical engineering from the University of Indonesia and his MSc and PhD degrees from University of Illionis, United Stated. Before joining LippoBank, he was the Equity Partner of Ernst & Young, Chief Operation Officer of Jakarta Initiative Task Force, Executive Director of Capital Market Society of Indonesia, and Chief Operations Officer of Bahana Pembinaan Usaha Indonesia. From 1989 - 1995 he worked for PT Bank Niaga Tbk, holding his last position as Senior Vice President, System & Operations and later on was appointed as a member of the Board of Advisors. He also once worked for the Computer Center, University of Indonesia and served as Visiting Professor in a Computer Science, University of Illionis.

Yusuf Valent

Appointed as Director of LippoBank on February 25, 2004. He started his career with LippoBank in 1987 and served as Deputy President Director from 1999 to 2002 and from 2003-2004. He also held various executive positions among others in PT Lippo Land Development Tbk and PT Lippo Karawaci Tbk.

Tjindrasa Ng

Served as Director of LippoBank since 1994. He joined LippoBank in 1986 after having prior experiences in several financial institutions. His performance led him to successive promotions within LippoBank's Credit Group. He graduated from University of New South Wales, Australia.

Harry Sasongko

Served as Director of LippoBank since 1999. Graduated with Civil Engineering degree from the Institute of Technology, Bandung (ITB), Indonesia. He then obtained Master of Science Degree from Ohio State University, U.S. He started his banking career in 1987 with Panin Bank and joined the Citibank N.A - Global Consumer Bank in 1988, rising to the position of Vice President & Director. He then joined PT Bank Tiara Asia Tbk in 1995 serving as Managing Director and holding a senior position in the insurance and mutual fund companies. In 1998 he joined PT Matahari Putra Prima Tbk and moved to LippoBank later that year as Managing Director. Since 2000, he has been appointed as a member of VISA International Asia Pacific Board of Advisors for Marketing & Sales.

Hugeng Gozali

Served as Director of LippoBank since April 15, 2003. Before joining LippoBank, he worked for the Indonesian Bank Restructuring Agency (IBRA) since 1998 with his last position as Senior Vice President, Division Head-Bank Restructuring Unit. He started his career in 1992 when he joined PT Astra International Tbk, advancing to the position of Commercial Manager before joined PT Pemeringkat Efek Indonesia as Rating Analyst. He obtained his Master Degree in Accounting Management from the University of Indonesia, Jakarta.

Lee Heok Seng

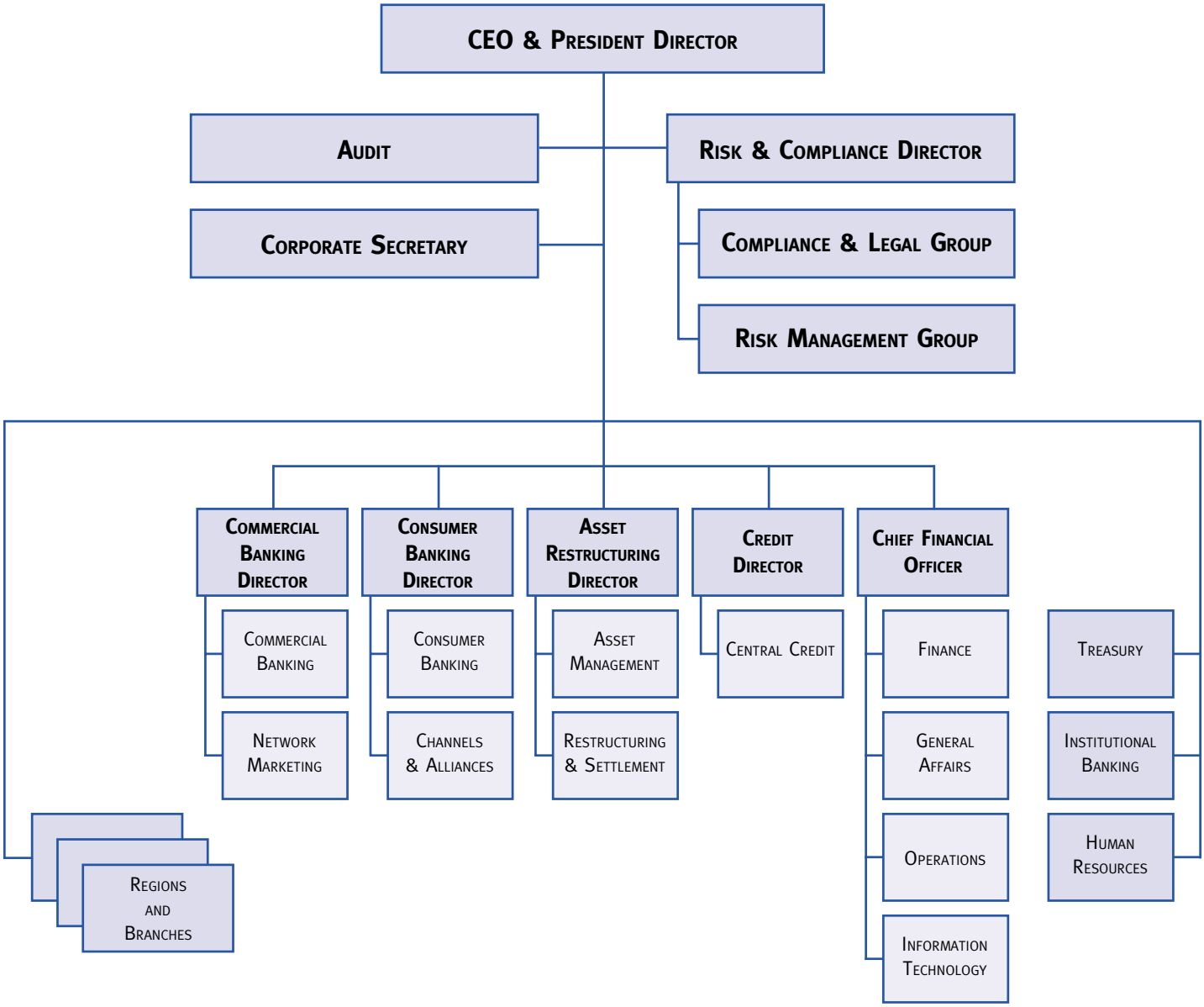
Appointed as Director of LippoBank on February 25, 2004. A Singaporean national, Mr. Lee Heok Seng started his career in banking since 1987, firstly at UOB Bank, and then held various positions in some countries at RaboBank, Bank of Austria, American Express Bank, BHF Bank and RZB Austria with his last position as Assistant General Manager & Head of Risk Control. He obtained his Bachelor of Business Administration degree at National University of Singapore.

Mark J. McKenney *

Appointed as Director of LippoBank on February 25, 2004. An American national, Mr. Mark J. McKenney started his career in banking at Bank of Boston, Singapore in 1992. Then he joined ING in Curacao, Netherland Antiles in 1995 as a Financial Controller. In 2001, posted by ING Aetna in Jakarta as acting CFO. Afterward, he was transferred to ING Institutional & Government Advisory Unit and was posted in some countries, including LippoBank up to the mid of 2003. Finishing his study in Accounting at Central Michigan University and held MBA degree from London School of Economics.

* Resigned effective September 1, 2004

organization**structure**



Senior Executives Head Office

Rahmawaty
Finance Group Head
Joined LippoBank since 1996

Harianda Noerlan
Channels & Alliances Group Head
Joined LippoBank since 2002

Randolph Latumahina
Institutional Banking Group Head
Joined LippoBank since 2003

Wellianto Halim
Information Technology Group Head
Joined LippoBank since 2002

Christina W. Setyabudhi
Network Marketing Group Head
Joined LippoBank since 2004

Widhayati Hendropurnomo
Corporate Secretary Group Head
Joined LippoBank since 1987

Executives Head Office

A. A. Sidarto
Audit Group Head
Joined LippoBank since 1997

Dewi Pandamsari
Legal Group Head
Joined LippoBank since 1989

Winardi Darmansa Liem
Central Credit Group Head
Joined LippoBank since 1984

Lani Darmawan
Consumer Banking Group Head
Joined LippoBank since 2000
Resigned effective November 12, 2004

Sutarmin Lili
Commercial Banking Group Head
Joined LippoBank since 2000

Harjanto Tjandra
Treasury Group Head
Joined LippoBank since 1999

Norita Alex
Human Resources Group Head
Joined LippoBank since 1986

Teguh Pudjowigoro
Asset Management Group Head
Joined LippoBank since 1976

Januar Angkawidjaja
Risk Management Group Head and
Restructuring & Settlement Group Head
Joined LippoBank since 1993

Toto Bartholomeus
Operations Group Head
Joined LippoBank since 1992

Junita Wangsadinata
General Affairs Group Head
Joined LippoBank since 2002

Executives Network

Suwito Tjokrorahardjo
Jabotabek Area I
Joined LippoBank since 1992

Konstantinus Liem
Jabotabek Area II
Joined LippoBank since 1989

Ferry E. Lirungan
Jabotabek Area III
Joined LippoBank since 1989

Ferdy Sutrisno
West Java Area
Joined LippoBank since 1999

Johana S. Soeharto
Central Java Area I
Joined LippoBank since 2004

Rahmat Prayogo
Central Java Area II
Joined LippoBank since 1993

Wandi
Central Java Area III
Joined LippoBank since 1989

Melisa
East Java Area I
Joined LippoBank since 1989

Trijono Wibowo
East Java Area II and
Special Branches Area
Joined LippoBank since 1990

Tjie Jehnsen
Bali Area
Joined LippoBank since 2004

Supli Jayalie
North Sumatera Area
Joined LippoBank since 1985

productsservices

SAVINGS PRODUCTS

- **Tahapan.** Savings account offering tiered interest rates, targeting customers with a high number of banking transactions. Provides passbook and Debit Card/ATM LippoBank Visa Electron for convenient transactions.
- **Super Savings.** Savings account with the highest interest rates that also offers unlimited cash withdrawal flexibilities, targeting customers with longer-term savings needs.
- **Star Account.** Savings account designed to serve busy clients with heavy, daily transactions. Star Account offers ATM/Debit Card LippoBank Visa Electron for convenient transactions as well as monthly statement reporting facilities.
- **LippoYunior.** Special savings account to serve the youth market below 18 years old. Offers attractive interest rates and appealing gifts.
- **SGD LippoDollar.** Savings account intended for customers who wish to save in Singapore Dollars.
- **USD LippoDollar.** Savings account intended for customers who wish to save in US Dollars.
- **LippoGiro.** Current account for individuals and companies to facilitate their unlimited business transaction needs in Rupiah, US Dollars, Singapore Dollars, Australian Dollars, Euro and Yen currencies.
- **LippoDeposito.** Time deposit designed to offer one week to 12 months tenor in Rupiah, US Dollar, Singapore Dollar, Australian Dollar, Euro and Yen currencies.
- **VIP Account.** Launched by LippoBank to serve the VIP segment by offering consolidated accounts enhanced by VIP Banking identity card that also functions as a Visa Electron debit card. Besides its unique features, this product offers its VIP customers with special benefits not available to our regular customers.

CREDIT CARD

- **LippoBank VISA and Master Card Credit Card.** LippoBank issues 2 different credit cards, LippoBank VISA Card and LippoBank Master Card, offering payment and cash withdrawal services through LippoBank branches and through the Visa Plus/Cirrus ATM network in Indonesia and abroad.
- **LippoBank Golf Card and LippoBank Lady Card** are LippoBank's superior niche credit card products. GolfCard is an Indonesian exclusive product that has become very popular among Indonesian golfers, offering benefits to support their golfing activities. LippoBank Lady Card is a niche product to serve the upscale Indonesian's ladies market.

ELECTRONIC BANKING

- **LippoBank ATM.** Available to our customers for banking transactions through our LippoBank ATM network in Indonesia and ALTO ATM and ATM PLUS networks in Indonesia and around the world. Available to all LippoBank ATM, Master Card and Visa Card holders.
- **LippoBank Visa Electron Debit Card.** Offers convenience in ATM transactions and shopping. Accepted by merchants with Visa or Visa Electron logos in over 25,000 locations across Indonesia and 10 million locations around the world.
- **LippoBank Visa Electron Distribution Card.** A debit card with a new concept of transactional facilities to large distribution companies. Also offers payment facilities accessible through cellular phones (mobile commerce) to retailers and distributors. Also provides payment services from 25,000 locations with Visa or Visa Electron logos in Indonesia and from over 10 million locations around the world.
- **e-LippoLink.** LippoBank's Electronic Banking for Cash Management providing real-time, online access through the Internet or direct dial-up channels.
- **LippoNetB@nk.** Offers non-cash transaction services through the website. To obtain this service, customers need only to visit our ATM LippoBank to receive the V-PIN (Virtual Personal Identification Number) and then register on-line through our web-site www.lippobank.co.id.
- **LippoBank AutoPrint.** Offers self-service passbook-printing facility without having to visit a teller. LippoBank AutoPrint operates 24 hours a day, available in LippoBank's main branches throughout Indonesia.
- **Electronic Draft Captured (EDC).** A banking facility designed to improve our electronic banking services. EDC is an electronic authorization device to facilitate payment of transactions, prevent the risk of usance of counterfeit notes and provide cash management convenience for merchants.

BANKING TRANSACTION SERVICES

- **Call Center 14042.** A 24-hour automatic, telephone-based service that provides customers with information on current accounts, savings accounts, credit card, currencies and interest rates as well as fax-based monthly statement forwarding service. Through 14042 that is accessible at local call charges from anywhere in Indonesia, customers may also file their complaints and suggestions to the bank.
- **Fund Transfer.** Rupiah and forex domestic and international money transfer services, handled through LippoBank's branch network and more than 700 correspondent banks around the world.

productsservices

- **Mass Fund Transfer Systems (MFTS).** A service that offers customers with easy, fast and secure mass fund transfer handling, suitable for businesses with high volume of banking transactions.
- **Collection.** A service in Rupiah and forex, collecting funds from a drawee bank in the form of personal or corporate checks and bank drafts.
- **Bank Drafts.** Drafts denominated in 14 different foreign currencies that can be negotiated at Depository Corresponding Banks overseas in lieu of cash payment to reduce the risk of cash loss.
- **Traveler's Cheque.** Checks that can be used as a payment instrument at overseas hotels, restaurants and shops or to be exchanged into the currencies of visited countries. Lost TCs may be reimbursed within 24 hours from anywhere in the world.
- **Bancassurance.** In cooperation with insurance companies, LippoBank offers insurance products including Rezeki, Credit Protector, Warisan, Hospital Refundable Plan and Harta 88. As stated in the insurance policy, all bancassurance products are underwritten by the insurance companies.
- **Foreign Currency Exchange.** As a provider of comprehensive foreign currency products and services, we offer foreign currency exchange services, including buy/sell transaction services in major currencies at competitive rates.

LOAN FACILITIES

- **LippoBank Home Loan.** Consumer credit facilities to finance the purchase of a home.
- **LippoBank Car/Motor Loan.** Consumer credit facilities to finance car/motor cycle purchase.
- **Working Capital Loan.** Short-term loan facility for liquidity or working capital needs, targeting both individuals and companies. Withdrawal/payment can be done anytime according to the borrower's needs. Interest is calculated based on amount of utilized loans.
- **Investment Loan.** Loan facility designed to accommodate short and medium term investment needs. One-time loan disbursement with installment repayment. Interest is calculated based on the amount of loans outstanding.
- **Export Loan.** Credit Working Capital loan facility offered to support export activities. Repayment is based on the volume of export's realized.
- **Trust Receipt (T/R).** Short-term loans designed to settle import documents after full payment of import duties.

BANK GUARANTEE

- **Payment Bond.** Bank Guarantee issued to guarantee payment by a customer to a third party.
- **Tender Bond.** Bank Guarantee issued to meet tender/ bidding requirements.

- **Advance Payment Bond.** Bank Guarantee issued to guarantee project construction.
- **Performance Bond.** Bank Guarantee issued to guarantee maintenance implementation of a project.
- **Bapeksta Bank Guarantee.** Bank Guarantee issued to differ duty payment of imported raw materials for re-export purpose.
- **Import Duty Bank Guarantee.** Bank Guarantee issued related to differ duty payment for certain imported goods.

IMPORT/EXPORT FACILITY

- **Letter of Credit (L/C).** Payment guarantee issued to facilitate import/export transactions with overseas business partners. L/C consists of Sight L/C, Usance L/C, Red Clause L/C (payment in advance), L/C confirmation as well as L/C Under GSM 102 used to import US agricultural products.
- **Export Bill Negotiation.** Advance payment to exporters through transfer of export documents based on an L/C.
- **Document against Acceptance Financing (D/A).** Discounted export bill facility, particularly for usance export bill without an L/C to assist customers' cash flow. Early payment based on funds received from the Financing Bank.
- **Forfeiting.** Discount facility for L/C export bill by forfeiter, particularly for usance export bill. Early payment of 7 to 10 days is based on acceptance between the business partner to forfeiter.
- **Documentary Collections.** Facility for import/export transactions through the use of a Documentary Collections payment instrument.

OTHER SERVICES

- **LippoBank Travel Center.** Travel handling facilities available to LippoBank credit card holders, covering domestic and international ticketing and accommodation, holiday package including cruise, travel document services, seminars and other handling of corporate needs, tour guides, car to airplane rental as well as airport handling services.
- **Safe Deposit Box.** Available to our customers, provides fireproof, safe deposit box rental facilities to store valuables in fire resistant steel boxes. Available in LippoBank's branches.

branchnetwork

HEAD OFFICE
Menara Asia, Jl. Raya Diponegoro 101
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Fax. (62 21) 5460601, 5460605
LippoBank Call Center 14042
www.lippobank.co.id

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Jl. Setiabudi No. 27
Ambon 97127
Tel. (0911) 355171
Fax. (0911) 353239

BALIKPAPAN
Jl. Jend. A. Yani No. 83
Balikpapan 76121
Tel. (0542) 733037
Fax. (0542) 733122

BANDUNG - ASIA AFRIKA
Jl. Gatot Subroto No. 2
Bandung 40112
Tel. (022) 7306622
Fax. (022) 7307500

BANDUNG - CIMAHI
Jl. Raya Cimahi/Tagog No. 256
Cimahi - Bandung 40525
Tel. (022) 6647700
Fax. (022) 6647100

BANDUNG - LINGKAR SELATAN
Jl. Peta No. 65
Bandung 40243
Tel. (022) 5231940
Fax. (022) 5231944

BANDUNG - MERDEKA
Jl. Merdeka No. 52
Bandung 40117
Tel. (022) 4200261
Fax. (022) 4200260

BANDUNG - OTISTA
Jl. Otto Iskandardinata No. 102
Bandung 40181
Tel. (022) 4204173
Fax. (022) 4200924

BANDUNG - RAJAWALI
Jl. Rajawali Barat No. 73
Bandung 40184
Tel. (022) 6031533
Fax. (022) 6031528

BANDUNG - SUDIRMAN
Jl. Jend. Sudirman No. 293
Bandung 40241
Tel. (022) 6033677
Fax. (022) 6019111

BANDUNG - SUKAJADI
Jl. Sukajadi No. 113
Bandung 40162
Tel. (022) 2035131
Fax. (022) 2038127

BANJARMASIN
Jl. Pangeran Samudra No. 26
Banjaramasin 70111
Tel. (0511) 67508
Fax. (0511) 67929

BANYUWANGI
Jl. Panglima Sudirman No. 23 - 25
Banyuwangi 68416
Tel. (0333) 411522
Fax. (0333) 411528

BATAM – LUMBUNG REJEKI
Komp. Lumbung Rejeki, Blok G No. 6 - 8
Jl. Sultan Abdul Rachman
Batam 29422
Tel. (0778) 457208
Fax. (0778) 426075

BEKASI - JUANDA
Jl. Ir. H. Juanda No. 137
Bekasi 17550
Tel. (021) 88342515
Fax. (021) 88342519

BEKASI - LIPPO CIKARANG
Menara Pacific Building, GF
Jl. MH Thamrin, Lippo Cikarang
Bekasi 17550
Tel. (021) 8972022
Fax. (021) 8972495

BEKASI - PONDOK GEDE
Pondok Gede Mall, GF - Blok A
Jl. Raya Pondok Gede I
Bekasi 17411
Tel. (021) 8469515
Fax. (021) 8469514

BLITAR
Jl. Merdeka No. 28 Kav. 11
Blitar 66112
Tel. (0342) 809029
Fax. (0342) 807464

BOGOR - JUANDA
Jl. Ir. H. Juanda No. 12
Bogor 16121
Tel. (0251) 328248
Fax. (0251) 324730

BOJONEGORO
Jl. Panglima Sudirman No. 60
Bojonegoro 62111
Tel. (0353) 887591
Fax. (0353) 887592

BUKITTINGGI
Jl. A. Yani No. 118 B
Bukittinggi 26113
Tel. (0752) 628600
Fax. (0752) 628606

CIANJUR
Jl. HOS Cokroaminoto No. 82-84
Cianjur 43215
Tel. (0263) 261722
Fax. (0263) 263618

CIBINONG
Jl. Mayor Oking No. 27
Cibinong 16900
Tel. (021) 8754007
Fax. (021) 8753485

CILACAP
Jl. Jend. Sudirman No. 20
Cilacap 53213
Tel. (0282) 531029-32
Fax. (0282) 531033

CILEGON
Komp Ruko Bonakarta Blok C17-18
Jl. Raya Merak No. 49
Cilegon 42414
Tel. (0254) 380955
Fax. (0254) 380952

CIREBON
Jl. Yos Sudarso No. 26
Cirebon 45111
Tel. (0231) 206991
Fax. (0231) 201292

CITEUREUP
Jl. Mayor Oking No. 19 - 20
Citeureup 16810
Tel. (021) 8753561
Fax. (021) 8753562

DENPASAR - THAMRIN
Jl. M.H. Thamrin No. 77
Bali 80119
Tel. (0361) 436047
Fax. (0361) 436048

DUMAI
Jl. Sultan Syarif Qosim No. 177
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JAKARTA - DAAN MOGOT
Jl. Daan Mogot Raya No. 95 C
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JAKARTA - GAJAH MADA TOWER
Gajah Mada Tower No. TG 02 GF
Blok T & No. T1-2 1st Fl Blok T
Jl. Gajah Mada No. 19-26
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JAKARTA - HERO GREEN GARDEN
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Jl. Jembatan Dua Raya
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JAKARTA - KRAMAT JATI
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Plaza Centris
Jl. H.R. Rasuna Said Kav. B 5
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JAKARTA - KUNINGAN PLAZA
Kuningan Plaza South Tower Suite 101
Jl. HR. Rasuna Said Kav. C11-14
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JAKARTA - LIPPO PLAZA
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Jl. Jend Sudirman Kav. 25
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Komplek THR Lokasari Blok B No. 53
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JAKARTA - MANGGA DUA
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Jl. Panglima Polim Raya No. 81
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Jl. Pintu Air Raya No. 7 Blok A2-3
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JAKARTA - PINTU KECIL
Jl. Pintu Kecil No. 28-29
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JAKARTA - PLAZA BII
Plaza BII Tower III, GF
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JAKARTA - PLUIT
Jl. Pluit Sakti Raya No. 113-115
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JAKARTA - PONDOK INDAH
Plaza 3 Pondok Indah Blok C No. 6-7
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JAKARTA - SLIPI
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JAKARTA - STOCK EXCHANGE BUILDING
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